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Business India

The country's biggest and most ambitious retailing project in recent times, a 1,50,000 sq.ft. shopping mall called Crossroads, is getting ready to open soon in south Mumbai. It represents the first significant greenfield venture of takeover tycoon Ajay Piramal and his Rs 1,800-crore(CH) Piramal Enterprises and marks the group's entry into the retail business. The retailing boom is attracting a host of entrepreneurs but being an evolving business, making definitive projections on returns is difficult. There can be no doubt though that the Ajay Piramal group has the staying power for this long-term game.

Over the years, Piramal has demonstrated an uncanny ability to spot the emerging opportunity and seize it. Most notably, his timely diversification from the family's traditional business of textiles into pharmaceuticals through a string of takeovers. In addition, he forged strategic alliances and joint ventures. These were with international majors like Boots Healthcare International plc, Allergan Inc, and homegrown outfits like Charak Pharma and the Sarabhai group.

Certainly, Piramal has been making several right moves. Yet, he has been rather less successful in reinventing Morarjee Mills whose fortunes have declined steadily in the last three years. Of course, compared to the rest of the industry, it is better off but that is not saying much. Weighed down by the burden of history — it is one of the country's oldest mills and was the fourth company to be listed on the Bombay Stock Exchange — Morarjee is now moving up the value chain into premium, niche fabrics. But its long-term prospects are an open question. Yet there are many who believe that textiles is a business in which India has significant comparative advantages. Textiles, they emphasise, can be a sunrise industry in India.

Furthermore, the sheen on Piramal's pharmaceutical business is somewhat fading. Analysts see the lack of innovation and its still nascent research base as serious drawbacks. They also carp about the multiple collaborations and question the group's ability to sustain them in the future. Consequently, Nicholas Piramal's showing on the stockmarket is nowhere close to the rocketing price/earnings multiples of high-flying drug majors like Ranbaxy or Dr Reddy's.

In his transition from millman to medicine man and now to mallman, Piramal has carefully cultivated his image. Pitching himself as a takeover specialist with a successful track record in diversification has paid off. Folks in the private equity business are enamoured of his group. Indian financial institutions are tripping over themselves to deal with him. And Piramal is reaping the benefits of astute positioning.

The enthusiasm of FIs over Piramal is symbolic of the prevailing reality in Indian industry: large capital pursues only the same, few entrepreneurs. There is no paucity of entrepreneurship in this country, only the ability to spot it and then give it the right kind of backing. Unfortunately, financial institutions are playing it safe and not cultivating new entrepreneurs. If they did, there would be many more Ajay Piramals.

in this issue

Annual Report Directory 1999	119
Banking	94
BI Index	15
Books	167
Business Notes	34
Businessmen in the News	32
Column	46, 102, 111, 125
Corporate Reports	72
Cover Feature	52
CyberNews	16
Economic Indices	49
Economy	47
Editorials	9
Executive Focus	150
Executive Track	152
Feature	112
Focus	68
Follow-up	21
For Your Information	14
Government & Politics	42
HRD	117
Infotech	116
International Briefs	149
Internet Addresses	128
Interview	176
Letters to the Editor	4
Listening Post	12
Marketing	104, 107
Market News	133
Market Talk	138
Marketwatch	140
Mid-cap Stock	136
Mutual Fund Monitor	139
Newscast	24
Panju's Page	50
People	174
Selections	170
Special Report	60
Telecom	118
WorldPaper	143

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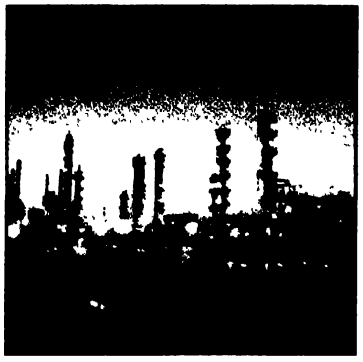
Corporate Reports

72
HPCL ▶

To thrive in the new free market, oil giant Hindustan Petroleum needs size, spirit and speed

84
UNITED PHOSPHORUS

Despite the Search Chem Industries albatross around its neck, United Phosphorus continues to power its way to the top of the agrochemical heap



87
S KUMARS



Largely known as a middle-class brand, Mumbai-based S. Kumars is moving into the premium category of textiles. But will it succeed?

92
ENKAY TEXOFOOD



Enkay Texofood has finally got approval to restructure its business. In the process, its scrip is getting re-rated

42
Government & Politics

Extending the dangerous episode of nuclear blasts a bit further for petty electoral gains may cost India dearly

47
Economy

A new scepticism about the validity of Kerala's infant mortality rate may well be a storm in a tea-cup

68
Focus

There is no one answer to the question of building a brand and keeping it healthy

94
Banking

Deutsche Bank AG, the world's biggest bank is revving up its Indian operations

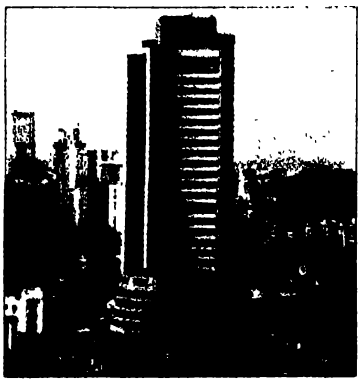
118
Telecom

Radio trunking is proving a boon for companies with logistical operations that involve the continuous movement of men, machines, material and money

104
Marketing

- The entry of a global giant promises to stir up India's nascent juice market
- In just three years Sony has set several records

134
Market News



The Sensex has risen in the past couple of months. And the mid- and small-cap stocks don't want to lie low

136
Mid cap Stock

With yarn prices firming up, Indo Count Industries has chalked out its gameplan to gain an edge over competitors

176
Interview

Maharashtra cultural affairs minister Pramod Navalkar has stirred many a hornets' nest in his single-minded resolve to purge Mumbai of what he perceives are its cultural aberrations

9
Editorials

- The growth in the economy, this time around, is for real based as it is on sound fundamentals
- The Department of Telecommunications needs to understand the reason for its existence
- The apex court's reservations on admission to the super speciality level are heartening

21
Follow-up

- Rolta on a roll
- Zee Telefilms would add several more channels
- Recent global figures reveal that JNPT lags far behind the biggies
- Kopran aiming at a global presence

34
Business Notes

- AFL LTD, IQL LTD, and NIIT will pool their talent to create uniquely complete solutions for commercial organisations
- Tele Shopping Network and Asian Sky Shop had a difficult task on hand
- Indian industry is going through an IT revolution
- BCCI is all set to award the telecast rights for the international matches
- When The Quantum Institute opened its doors two years back, academicians feared that the move towards online education would result in a lowering of standards

COVER FEATURE
52

Riding high

Piramal Enterprises chief Ajay Piramal is taking his group into the greenfield area of shopping malls. His existing businesses, meanwhile, are a mixed bag



PALASHRANJAN BHAUMICK



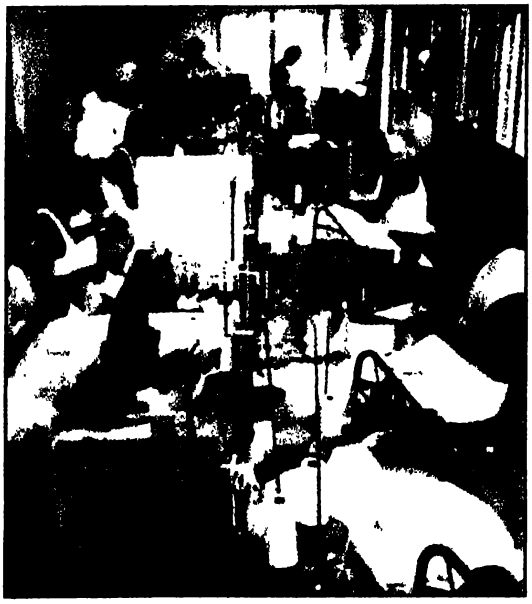
Cover photograph
PALASHRANJAN BHAUMICK

SPECIAL REPORT
60

Auto ban

The country's first expressway shoots straight as a spear between Mumbai and Pune to halve the travelling time and create a series of other records, including being one of the few government infrastructure projects being completed before schedule and below budget

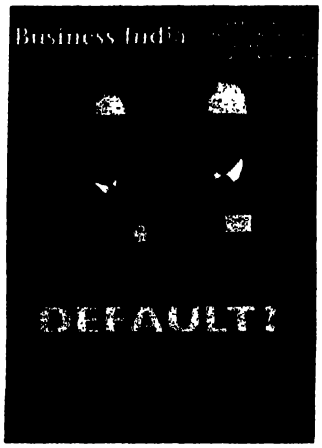




FEATURE
112

Building brands

West Bengal's hosiery market may have lost its lead, but a handful of companies are doing brisk business



• Flights from fancy

The Ruias successfully launched the 'Essar' brand in the stock and consumer markets in the early 1990s. They attracted investors but cashed their goodwill for their long-term ventures in oil and telecommunications. All they created were castles in the air. Now all their investors are trying to get out.

AKHILESH KUMAR SAH
Faizabad

• Your cover story (26 July) refers to the Reliance Group in a couple of places, implying parallels between Reliance and the Essar GRoup. In one instance, it explicitly says that Reliance went through similar rough seas in the 1980s.

We find this comparison unfair and unjustified. The Reliance group has an unblemished record for meeting all its obligations throughout its history, and has never ever defaulted.

Being a victim of political attack is completely different from being in the centre of financial problems or default, and from that perspective the said reference to the Reliance group is not fair.

YOGESH J DESAI
President - Corporate Development
Reliance Industries Ltd
Mumbai

• Your cover story on the Essar Group came as a breath of fresh air after the media song and dance on the FRN default. It vividly and forcefully brings out the fact that the Essar refinery project that has been hampered by the delay in financial succour and the apathy shown by the FIs towards a project that is more than half complete. I get the impression that the FIs have an indirect role in cost overruns. I wonder how many infrastructure projects in the country have suffered from a lack of institutional understanding of long-gestation and high-cost projects.

S THYAGARAJAN
Udumalpet (Tamil Nadu)

• Allow the PSUs to market

Your article (Special Report, 26 July) mapping the apprehensions of the oil sector about the open market mechanism makes interesting reading. The growing stature of IOC has made the other oil companies feel threatened and HPCL seems to be leading a pack to form a formidable force to counter IOC.

Another apprehension is the possibility of being swamped by international oil giants once complete decontrol is brought about. This is unlikely to happen. The oil companies in the country have over the years built enormous infrastructure, which is difficult to replicate.

The refining companies have long aspired to enter the marketing arena. The government has allowed private sector refineries with minimum investment of Rs2,000 crore to enter marketing and hence there is no justification in keeping the PSU refiners out.

S. RAGHAVAN
Chennai

• Watchdog

Your story on the Hamco scam (Focus, 26 July) was interesting. Business magazines hardly report financial scams these days, although numerous scams regularly take place. Reports like yours exemplify the media's role as a watchdog.

G RAVISHANKAR
Mumbai

• Where's our self-identity?

Nothing could be more apt than Brij Khandaria's column (28 June). True, India has throughout bet on losing horses and has in turn become an international diplomatic pariah. But while we need not have become toadies like Pakistan or some other countries, hanging onto the tail-coats of superior powers, we could at least have adopted a semblance of self-identity as France occasionally does, despite on the whole toeing the line of the Western bloc. We neither have the gumption of China nor its political system to withstand isolation.

Just one instance of our disastrous foreign policy has been our all-out support for Palestine and the PLO, which meant a mindless animosity towards Israel. Ask any Indian visitor to the Gulf and he will testify that those people who hurt and humiliate us most are the Palestinians. They neither feel any kinship towards us nor do they show any trace of friendship or gratitude. And they insult Indians at the slightest opportunity, giving a cue to the other Arabs who would otherwise would not bother.

Such instances are far too many. India is anathema to Bangladeshis, where over 6,000 soldiers laid down their lives to liberate them. None of our neighbours, Saarc or anyone else, has any respect for us and cannot be counted as friends. It was the US that had to help us, albeit for reasons of its own, most notably Osama bin Laden.

Our foreign policy has to be stripped of frills. If it suits us now to befriend the West and Japan, so be it. If we make a show of conviction and stand by the poor, they will be the first to ditch us with no thanks for the help received. Our largesse towards Bangladesh and Nepal should be based on these bitter facts.

HEMA I ANAYA
Mysore

• Corrections

In Feature (9 August), the photographs of Cmde Bhada, Brig Suresh Sharma, and Air Marshal Dere on pages 114, 115, and 116 and their captions were wrongly mismatched. They are reproduced here correctly with abbreviated captions. We apologise for the mistake.



Cmde Medyoma Bhada, GM (corporate administration), M&M

Brig Suresh Sharma, consultant with World Investment Ltd



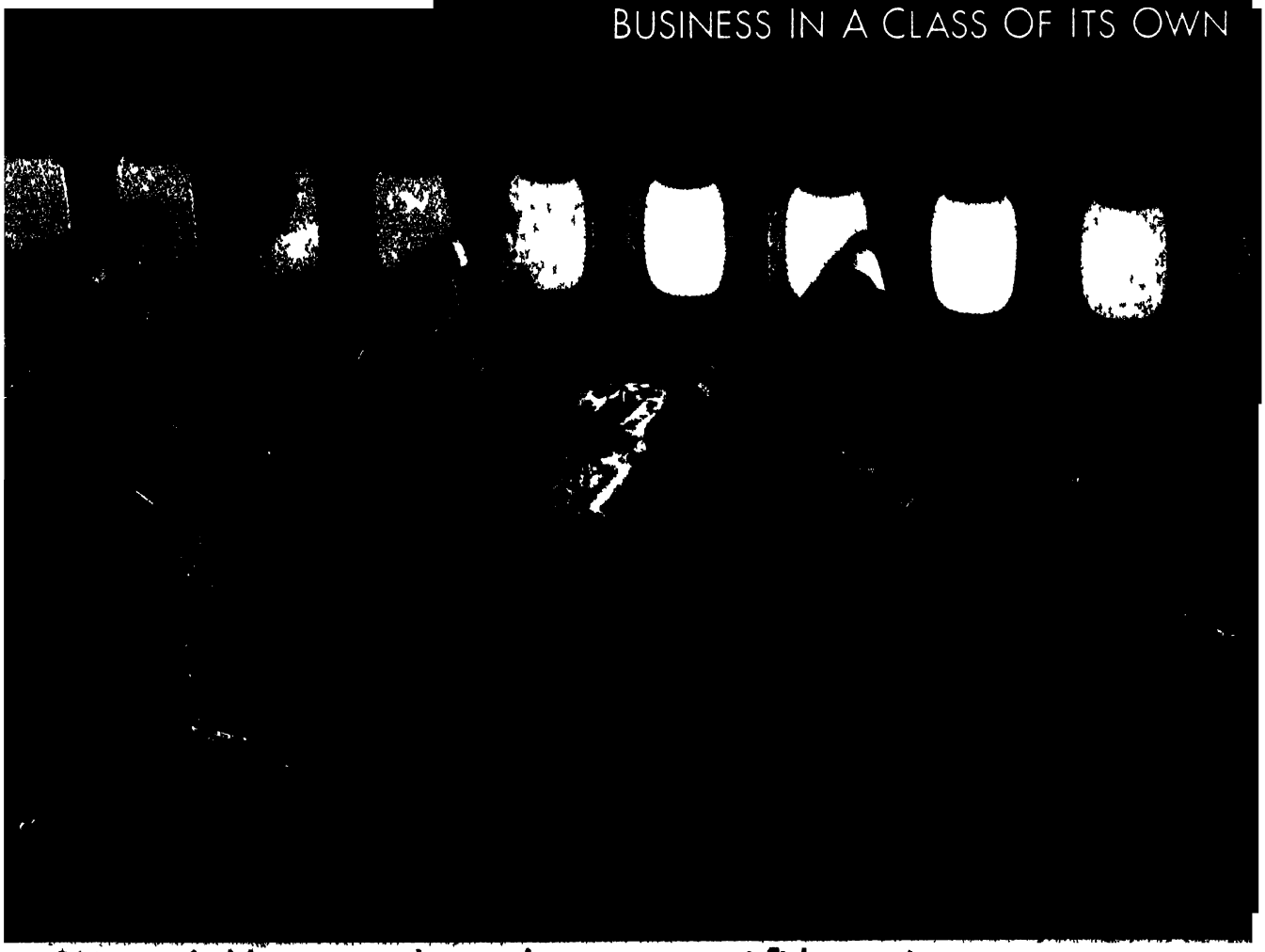
Air Marshal Dere, retired partner of Engineers & Management Associates, Delhi

• The Business India – Credence mutual fund monitor (9 August) is for tax-saving schemes and not for balanced schemes as the ranking has been headlined.

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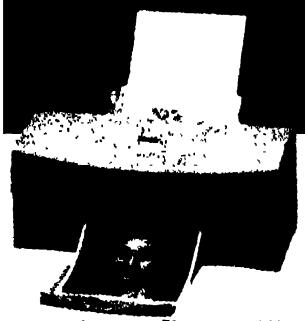


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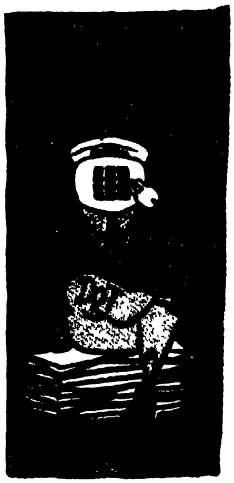
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Hullo, Hullo?

The Department of Telecommunications needs to understand the reason for its existence

What a precious thing a telephone is in India. For those who have one. Others couldn't care less. Others, in this case, is nearly 98 per cent of India, except in one or two cities like Delhi and Mumbai, where the figure drops to about 80 per cent. Given a putative household population of about 4, the access-to-telephone figure rises to 8 for the country, and 80 for the superurbs. In other countries, notably the United States, the 'have-nots' cannot be measured in terms of households, only individuals. There are more telephones than people in the country, because many people have more than one phone, while only a very few don't have one at all.

In India, if one visits a friend and must make a phone call, it is considered extremely impolite not to ask prior permission. If the call is a trunk call within or outside the country, of course one must also insist on paying, because the amount will almost certainly not be a minor expense. In the same situation abroad, in some countries the local call is free, so that isn't an issue, but even domestic trunk calls are (relative to income) so cheap that your host will probably raise an eyebrow at the thought of your offering to pay. Why has our country lost out in this area?

When we gained Independence, we lacked almost every kind of infrastructural element, and there were strong indications that the fledgling private sector would not be able to access enough money to build it up. The industrial policy was designed to reserve certain sectors (including telecommunications) for public funding, while affording protection to the others, where the private sector could run free without fear of cheaper imports.

Unfortunately, one (possibly unintended) side-effect of this policy was that investment in infrastructure became a state subject, while profits generated by operating services on the same infrastructure were transferred to the general revenue account. The department responsible for telecommunications goes, begging bowl in hand, for money each year to put down new phone lines, while at the end of the year, any money it makes from phone services is turned over to the government, to spend no doubt on alleviating poverty. Or the salaries of public servants. Whatever.

The bleak telecommunications scenario was sought to be improved when the private sector entered the picture, since it would presumably be free to spend on infrastructure according to prudent economic norms, or plain old business sense. However, since the new investment plan was shaped in large part by the same people whose fiat was sought to be diluted, it is little surprise that the new players ended up bidding highly unfeasible amounts in terms of licence fees. The unseemly mess we have had the dubious pleasure of witnessing in the courts and the front pages of newspapers, over the past year, is the direct result of this short-sighted policy.

For the right or wrong reasons, the source of most of this mischief has been the Department of Telecommunications. Telecommunications experts from abroad have repeatedly attempted to get the point across to our little masters that their job is to help people communicate, not ration out phones as though they were going out of fashion. This has not succeeded. A recent headline has a department spokesman bemoaning the fact that projected revenues will be Rs2,000 crore short of projections made for the year. The fact that this is entirely due to the court-ordered removal of billing anomalies that have plagued consumers for decades is conveniently side-stepped. More to the point, the fact that telecom revenues are derived from a shockingly small section of the country's people, is ignored entirely.

When the telecom ministry spokesperson addresses the public in this one-sided fashion, is any consideration given to the fact that the entire telecom paradigm is about to undergo a cataclysmic inversion? The emergence of digital communications is nigh, and in the early part of the next decade, normal telecommunication will be digital from end to end. This automatically means that there will be no distinction between a call made next door and one to the ends of the world. Therefore, there will be no justification for tariff differentials on such calls.

Is this something out of science fiction? Unfortunately for Luddites in the ministry or its departments, no. Already by the end of this year, the interconnect backbone in the United States will be totally digital, and digital lines will soon percolate to consumers as the primary option. What price billing squabbles then? •



Let the champagne flow

The growth in the economy, this time around, is for real based as it is on sound fundamentals

National economies have a funny way of changing track and surprising the most learned pundits. Who would have thought that the Indian economy would prove its resilience to political fluxes and bash on towards a growth path? Well the latest data show precisely that; several indicators show an uptrend in performance especially in the industrial sector. For example, the fact that consumer durables were doing well was well known as were the hi-tech sector. But surprisingly, industrial intermediates too have done well though capital goods seem to be still struggling to find their feet.

On the ground the news gets better; commodity prices are rising around the world and steel producers in this country with sufficient capacity and quality have been muscling in rather successfully. Of late the prices of hot rolled coils have firmed up and major steel producers have been able to realise higher prices. The happy result is that Indian producers may soon be able to reduce their domestic inventory of around two million tonnes.

Consider the state of the economy yet another way. Dun and Bradstreet have released what they term 'Business Optimism Index' for the third quarter of 1999. Calculated on the basis of a random sample from the firm's commercial credit information file for the country, the BOI measures the pulse of the business community by basing their indices on various indicators of performance like net sales, net profit, selling prices, new orders, inventories and changes in number of employees. In almost all the indicators the BOI registers a more positive tone than the BOI for the first quarter of the year though in almost all of them the indices are less favourable than they were for the second quarter. The authors however note that "in the final analysis it must be stated that the economic recovery that seemed visible in Q2 1999 survey was no mirage".

The idea that the real economy is going through some kind of recovery cannot but be heartening for another reason. Often in the recent past, for instance in the third quarter of last fiscal, spurts of activity in the stockmarkets and the consequent rise in the Sensex have not been accompanied by, or emerged as a result of, growth in the real economy. Speculation and institutional trading have been the cause and in recent times the growth in IT stocks. This time around the two sectors, the equity market and the productive economy, seem to be moving in the same direction.

Of particular interest in the recent spurts in the capital markets is the emergence of mid-cap stocks. It is one thing and perhaps the expected thing for a rally to be based on the performance of pivotals; the rise in the sensex that took place in the last year was predicated on the 'A' group shares. But this time the growth seems to have been centred around the 'B' group shares; after a gap of four years stocks in the 'B1' and 'B2' groups have outnumbered pivotals in climbing new peaks. Nothing shows up this broadbasing more than the S&P CNX 500 comprising 79 industries covering mid- and small-cap stocks which have outperformed the Sensex by almost a third. As a matter of fact a number of scrips that were fairly inactive or traded in low volumes of 100-500 shares found themselves being traded in thousands if not lakhs.

The story of the broadbasing does not end there. Whereas earlier, the rally had been fired by the IT stocks this time around other "brick and mortar" type industries too seem to have been fuelled by rises in cement, auto-ancillary, metals and finance. Brokers feel that a part of the reason for the feel good factor is the fact that the sun is shining on the economy. The significance of this correlation between the two sectors, the capital market and the productive economy, lies in the fact that it has occurred after a gap of nearly five years. It was during the 1993-94 period that the last simultaneous movement of the two sectors took place as a result of the first phase of reforms. Since then the capital market seems to have dipped into a slumber while the economy lost all its sense of moorings.

Politics of course has a way of queering the pitch as has been the case so often in the recent past when a fall of government sent the economy reeling into uncertainty. But this time elections that are round the corner should end the uncertainty as a government is installed at the end of the process. At this point of time all one can hope for is a government that capitalises on the current wave of good luck. ◆



SC rights a wrong

The apex court's reservations on admission to the super speciality level are heartening

While "protective discrimination" for the overall societal good has been the notional objective behind reservations for the disadvantaged scheduled caste (SC), scheduled tribe (ST) and other backward class (OBCs) categories, it has over the years become grossly abused and misused in the hands of self-serving politicians. The entire process has become a charade, with states outdoing one another in the reservation race in an effort to buttress their votebanks. Not only has such action led to reverse discrimination, it has actually perpetuated the scourge of backwardness by compromising liberally on the educational and work standards. Compromising on proficiency and ability more often than not compromises on accountability as well.

The runaway reservation had earlier compelled the intervention of the Supreme Court which imposed an overall ceiling of 50 per cent on these quotas and prescribed periodical reviews of the designated beneficiaries to skim off what it termed were the 'creamy layer'.

On 11 August, the constitution bench of the apex court in the *Post-Graduate Medical Entrance Examination (PGMEE) — Reserved Categories — lower minimum qualifying marks case* ruled that any special provisions like reservation for admission at the super speciality level were 'contrary to national interest'. It stipulated merit as the sole criterion for selection, contending that admissions to the highest available medical and engineering courses, where even the facilities for training are limited, must be granted only on the basis of competitive merit. The five-judge bench, presided over by Chief Justice Adarsh Sein Anand, also struck down as unconstitutional the Uttar Pradesh Post-Graduate Medical Education (Reservation for SC, ST and OBC) Act 1997 which fixed 20 per cent as minimum qualifying marks for reserved category candidates. It treated similarly the Madhya Pradesh government order of June 1997 that fixed 20, 15 and 40 per cent as the minimum qualifying marks for SC, ST and OBC respectively.

This ruling of the highest court, which was disposing of consolidated review and writ petitions, and appeals from various aggrieved candidates, will most likely lead to similar prayers as regards other streams of education as well as employment. There will always be divergence in perception on the validity or otherwise of such reservations. But the Supreme Court's own previous judgment favouring caste-based reservations in government jobs had dispassionately recognised the legitimacy of such 'positive discrimination' in a caste-ridden society like ours. At the same time, the conflagration that erupted during V.P. Singh's prime ministership against the Mandal provisions that he sought to implement underscored the resentment that had been brewing amongst those who felt they were being discriminated against.

Rather than contradicting its own previous verdict, the Supreme Court has sought to reaffirm the fact that while enabling the weaker sections to compete equitably with others in education and employment was a Constitutional obligation, the 'wider interests of society' could not be ignored. In other words, it is clear that reservations should not descend to the level of misplaced justice and if they did, corrective action should be forthcoming. The bench, in its judgment which will have prospective application, asked the Medical Council of India to go into the question of lower minimum qualifying marks for reserved categories at the PGMEE as such measures impinged upon the standards of medical education. It declared that there cannot be a wide disparity between the minimum qualifying marks for the reserved category and for the general category candidates at that level, maintaining that the percentage of 20 for the reserved category and 45 for the general was not permissible under Article 15(4) of the Constitution.

It is argued that affirmative reservations have proved their viability in Tamil Nadu for instance where they have largely bridged the gap between the general and reserved categories of students. But it needs to be assessed whether such bridging the gap has raised the overall standards or induced a decline. It is to be hoped that with election fever in the air and all political dispensations intent on scoring marks over their opponents, the politicians of the day do not exploit the apex court verdict to their advantage. •

Leo up for sale

BlowPlast, part of the Rs800-crore DCP Enterprises, is looking for a buyer for Leo Toys. The management has decided internally that since Leo (set up in 1980) has not made any profits over the years, BlowPlast shall opt out of toys completely. A valuation is still to be done, but Leo is sitting on a mountain of moulds which should fetch a handsome price. Chairman Dilip Piramal reckons that in the foreseeable future labour intensive businesses in the land will undergo a paradigm shift as the labour laws will lead to uneconomical production. Moreover, China, Hong Kong and Taiwan are increasingly becoming the cheapest producers of toys in the world. Leo, which entered into a 60:40 JV with Mattel of US in 1986, has already sold its stake to the latter. Mattel, in fact, is operating on its own now in the Indian market which essentially means marketing their own products. Earlier the marketing was done by BlowPlast. Piramal now wants to concentrate on the luggage market, hence the decision to opt out of the Leo brand. Takers anyone?

Ne(s)t eggs

McKinsey partner Neeraj Bhargava and principal Sandeep Singhal have resigned and teamed up with Mumbai-based investment banker Rajesh Jog, promoter of Gateway Capital, to launch India's first Internet-centric incubator fund, Acquavit. Unlike other incubators promoted by Intel, Microsoft and Computer Associates, this one has no strings attached in the form of particular technologies. Acquavit will assist first-time India-US entrepreneurs to begin Internet-oriented ventures, providing both management support and funding. This month has seen a flurry of angel and venture capital funds get under way with operations in India, including Infinity and Chrysalis, both being heavily technology-centred. Comparative old-timer Draper International from Silicon Valley has reportedly closed its books, amid rumours of disagreements about its operations. Kanwal Rekhi, well-known Silicon Valley venture capitalist closely associated with The Indus Entrepreneurs (TIE), which brings together some of the Valley's most famous Asians to help new entrepreneurs, flew into India to launch TIE's first Indian chapter, which will be launched this month in Bangalore, reportedly with Infosys' Nanadan Nilekani as president.

Santoor rejig

Wipro is relaunching Santoor soap and talc in mid-September. Apparently Santoor is doing very well in



Santoor will witness a complete makeover

Andhra Pradesh, Kerala, Karnataka, Maharashtra and the northern belt of Punjab, Delhi and Haryana. Both soap and talc will be coming with a complete makeover – new packaging, fragrance and shape. And of course a spanking new ad campaign – on TV, press and outdoor – being designed by FCB-Ulka is ready on the drawing board. Close to Rs80 lakh has been earmarked for just September by Wipro. Coming up next is the phase two of Wipro's multi-crore corporate campaign as Azim Premji, India's richest man according to *Forbes* magazine, pumps up the volume.

End game for TV software houses?

Is UTV headed the Plus Channel way? Though UTV's television software division continues to do well, the Vijaya TV, Singapore and Malayasian ventures appear to be having a debilitating effect on the group. Profit centre heads too are walking out as the pressure gets intense. The capital intensive Vijaya TV venture appears to be bleeding, more so in a cluttered southern boob tube marketplace. Meanwhile, fellow traveller Plus Channel continues to head southwards with no rolling plan in sight and practically all divisions barring TV software having been shut down. In Plus' case, with the promoters having backed out, it is a veritable firefight on a daily basis. Unilazer chairman Ronnie Screwvala has, however, managed some breathing space with an $6 million animation co-production contract with 20th Century Fox.

Green signal for Redington

Redington, India's second largest computer hardware distributor, and one of the successful Indian ventures of the Singapore-based Chanrai group, may finally be changing hands. The Chanrais, who are non-resident Indians, having built up the hardware distribution business from scratch may well be interested in cashing out. Earlier, they had been talking to CHS Electronics, but those discussions have fallen through. Now, US-based Ingram Micro, ranked the world's largest in the computer distribution business, who is also eager to make an entry into India, may be a prime candidate to take over Redington.

Ingram had recently acquired Electronic Resources, better known as ER, a Singapore-based computer distribution giant. The deal with Redington, it is learnt, has reportedly been done with ER India Limited, a company which ER had earlier formed by buying equity in another local firm, Spectra. ERIL is soon to be rechristened Ingram Micro India. A near 75 per cent annual growth in the computer distribution business in India makes the country attractive for any leading international player. With a turnover estimated at Rs600 crore, what makes Chennai-based Redington a plum takeover target is its number two position after Godrej Pacific. •

Faces Behind The IKON



IKON Behind The Faces

The Ford dealer family - some of whom you see here - are hard at work just to ensure you get an unmatched sales and service experience with the new Ikon. Inspired by the JD Power award for Highest Customer Satisfaction two years in a row, these smiling faces are as impatient to give you the car as you are to receive it. Just hang on.

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Monopoly virus... Day trading... TV for kids... Losing hair

Bill Gates may have decided to donate his huge fortune to charity, but those who have been gunning for him are not about to give him any respite. Coming on e-mail soon is the Monopoly virus. Along the lines



of the Melissa virus, which created such havoc, Monopoly is in the form of an e-mail message entitled 'Bill Gates joke'. The programme, written in Microsoft Virtual Basic, causes a dialogue box to pop up which displays a picture of Gates superimposed on a monopoly board along with the message: "Bill Gates is guilty on monopoly. Here is the proof:-)". The virus also sends itself to all e-mail addresses in the victim's address-book in Outlook Express and collects data on country, Website, password etc. While this can be very damaging, most observers believe that Monopoly is still a zoo virus. In other words, it has not yet been discovered in the wild. But e-mail users would be well advised to give Bill Gates' jokes a miss for some time.

While on the subject of Bill Gates, here are two offerings from MSNBC (the Microsoft Internet channel):

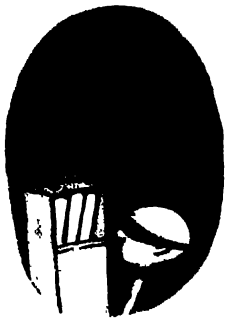
• Rene Joly, 34, filed a lawsuit in Toronto against several drugstore chains and the Canadian defence minister, charging that they conspired to kill him by poisons in his prescriptions and a military microchip in his brain. He told reporters: "Genetically speaking, I'm a Martian, yes," having been cloned from material recovered from NASA missions. The college-educated Joly apparently impressed some reporters with his eloquence and calm demeanor, but one defence lawyer said merely that Joly "has watched too many episodes of *The X Files*."

• A *Jerusalem Post* reporter interviewed an extraterrestrial by telephone through the services of Adrian Dvir, an engineer who develops computers for the Israeli military. The alien, 'Fenix', said he was 200 years old and was calling from near Uranus, via electronics that translated his speech into Hebrew. Dvir was chosen for contact because he had enrolled in psychic-training courses that were being monitored by Fenix's Kliendcontlar race. Fenix called Dvir (from a number blocked by Caller ID) and spoke for 85 minutes, answering the reporter's questions as relayed by Dvir.

Sure makes one wonder if all the out-of-the-world (in more senses than one) sites about Bill Gates have something to them after all.

With a day trader in Atlanta killing 12 people and himself after suffering massive losses, US regulators are wondering whether they should put curbs on the practice. Unlike most stockmarket investors, day traders hold shares for minutes or hours instead of years. The result: they can wipe themselves out equally fast too. According to a survey by the North American Securities Administrators Association (Nasaa), an organisation of state regulators, more than 70 per cent of the day traders studied at one firm had lost money, for the most part, all they had invested. By a curious coincidence, considering that the survey took place before the mayhem, the firm was the All-Tech Investment Group, one of the places that the Atlanta day trader had chalked up his huge losses. The Nasaa survey points out that many day traders are encouraged to go over the top because of the loans that the firms that facilitate such day trading extend to them. It concludes that commissions are so high that it is a mug's game trying to make money through day trading. But, in the US, a mug is born every minute anyway.

The BBC, amongst other producers of kids programmes, is under fire from the American Academy of Paediatrics. According to the academy, producers have been deliberately targeting very young kids and this can prove extremely damaging to their development.



After a two-year study, the academy has issued viewing guidelines in the journal *Pediatrics*. For starters, it says that kids below the age of two should have no exposure to TV at all. "Research on early brain development shows that babies and toddlers have a critical need for direct interactions with parents and other significant care givers for healthy brain growth and the development of appropriate social, emotional and cognitive skills," the academy says. It is better for children to dig in the dirt than watch TV. For older kids, TV should be strictly rationed. According to the survey, overexposure tends to make kids fat, disoriented and prone to think of violence as the best means of settling disputes.

Are HSBC bankers a harried lot? Are they balding too soon? Not necessarily. But nestling in the latest issue of *Select*, the group's personal finance magazine in Asia, among plugs for upmarket properties and country club memberships, is an ad from Svenson, "the world's leading hair experts for over 40 years". Svenson has flagged off a better hair growth campaign through electronic analysis. Says the ad: "During the Hair Rescue campaign, special consultants at Svenson International will take a few hairs from the balding or thinning areas of your scalp and send them to be professionally analysed at advanced laboratories in London. You will find out exactly the cause of your hair loss and what action must be taken to



correct it." The analysis is being offered free of charge and there is a 15 per cent discount on the course.

Bank sources say that the ad is just one of those things and none of them are losing any sleep (or hair) over HSBC's performance. There is a sobering thought, however: *Select* is not targeted at the bankers but at their customers.•

BUSINESS INDIA INDEX



Number out of every 100 undergraduates and postgraduates in India who say a career with the armed forces is a preferred option, in spite of heightened nationalism generated by the conflict with Pakistan: **21**

Number out of every 100 undergraduates and post-graduates in India who say a career with private sector companies is still a preferred option because of better remuneration: **79**

Percentage of undergraduates and postgraduates in India who believe that young people would opt for a career in the armed forces if they were offered better salaries and perks: **66**

Average proportion of India's defence budget that goes towards salaries and allowances, in per cent: **50**

Average proportion of India's defence budget that goes towards modernisation of defence force and equipment, in per cent: **12**

Amount raised by Indian companies through the capital market and debt instruments in 1994–95, in Rs crore: **13,312 & 0**

Amount raised by Indian companies through the capital market and debt instruments in 1998–99, in Rs crore: **504 & 7,407**

Average value of gifts and pocket money that a young girl or boy in Delhi gets annually, in Rs: **3,710**

Average value of gifts and pocket money that a young girl or a boy gets in Chennai gets annually, in Rs: **1,591**



Estimated proportion of men and women in Delhi who are overweight, in per cent: **40 & 50**

Estimated proportion of the adult population of Delhi that could be at a substantial risk of heart disease, in per cent: **43**

Number of telephone land lines per 1,000 people in China and Pakistan: **45 & 18**

Number of telephone land lines per 1,000 people in India: **15**



Percentage of women in India who admit to faking orgasm with their partners: **73**

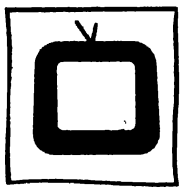
Estimated percentage of marriages in India in which a woman has never reached orgasm: **25**

Percentage of American men aged 75 and above who say they have a regular female partner: **58**

Percentage of American women aged 75 and above who say they have a regular male partner: **21**

Number out of every 100 executives in Asia/Pacific who say the Asian financial crisis was a result of 'corruption': **72**

Number out of every 100 executives in Asia/Pacific who say the Asian financial crisis was a result of 'irresponsible domestic governance' and 'poor business decision-making': **69 & 51**



Rank of Oman among all low- and middle-income countries worldwide in terms of television sets per 1,000 persons: **1**

Televisions per 1,000 people in Oman in 1998: **591**

Televisions per 1,000 people in Netherlands, Germany, and Switzerland in 1998: **495, 493 & 493**

Total number of nations worldwide on the eve of World War I in 1914: **62**

Total number of nations worldwide today: **193**

Net worth of Internet auction company Ebay promoted four years ago, in billion dollars: **18**

Net worth of 255-year-old Sotheby's, in billion dollars: **2**

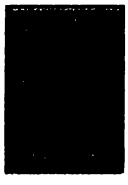


Chances that junk e-mail, called spam, sent to Internet users worldwide is an invitation to visit pornographic sites: **25 in 100**

Chances that spam sent to Internet users worldwide is an invitation to visit 'get rich quick' sites: **37 in 100**

Number of cells in a human body, in trillion: **100**

Proportion of these that are bacteria living in or on the body: **9:10**



› *Compiled by* ANOOP BABANI

SOURCES: 1,2,3,4&5 Opinion poll by *Outlook*–MDRA and budgetary estimates, *Outlook* magazine, New Delhi **6&7** Study by Prime Database, New Delhi **8&9** 'GenerAsians', a study of youth in Asia/Pacific by Cartoon Network and AC Nielsen **10&11** Indian Council of Medical Research, New Delhi **12&13** Human Development Report 1999, United Nations Development Programme, New York **14&15** Survey of sexual attitudes of Indians by *The Week*–Sofres MODE, *The Week* magazine, **16&17** Study by *Modern Maturity* magazine, Washington **18&19** Survey of executives across Asia/Pacific by *Far Eastern Economic Review*, Hong Kong **20,21&22** Human Development Report, UNDP, New York **23&24** *The Economist*, London **25&26** *Forbes* magazine, New York **27&28** Survey by Gartner Group, USA **29&30** *New Scientist*, London

Gujarat Ambuja

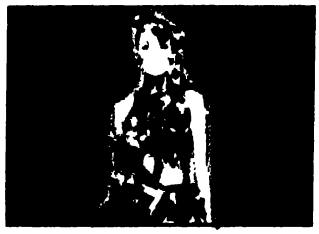
One of the most recent companies and perhaps among the first three cement majors to go on the Web is Gujarat Ambuja with **www.gujaratambuja.com**. The opening screen offers an explanation for the company's motto 'I Can': "Give a man orders and he'll do any task reasonably well. But let him set his own targets, give him freedom and authority, and his task becomes a personal mission: I CAN." The site carries information on the company's financials for the



last five years, information on installed capacity at plants in Punjab, Gujarat, Madhya Pradesh, and Himachal Pradesh, its efforts towards the protection of the environment, and a host of awards – including the National Quality Award, the National Award for Pollution Control, and the *Economic Times*–Harvard Business School Association Award for corporate excellence – that it has won. An interesting feature of the site is the section on *vaastu shastra*. A good corporate effort!

Virtual model

As far as looks and beauty are concerned, Indian women have been in the news for the last couple of years. Remember Sushmita Sen and Aishwarya Rai, who were successfully crowned Miss Universe and Miss World? It was only a

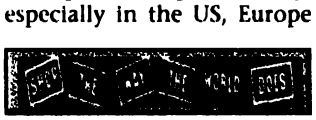




matter of time that the cyberworld was also to be captured by a Indian beauty. It all began when Anagha, a Bangalore-based girl with a degree in Economics from St Stephen's College, New Delhi, launched her portfolio on the Web at **www.anagha.com** with the help of her Australian husband David, who is a photographer. The site was reportedly designed to handle one million hits a month. Today it boasts a hit rate of one million a day. So much so that, last month, *USA Today* picked it as its Site Of The Month. Anagha has already landed herself a contract with a New York-based Metropolitan ad agency and help calls from aspirant models all over the world who would like to be part of her Website. Check it out for yourself.

Shopping online

While business-to-business e-commerce is making rapid strides in cyberspace, the business-to-consumer module is also picking up gradually, especially in the US, Europe



www.online-shoppe.com

and Japan. According to one estimate, a full third of all e-commerce transactions today are business-to-consumer. No wonder we already have an Indian site **www.online-shoppe.com** being termed by the promoters as India's "first full-fledged business-to-commerce, e-commerce-enabled shopping arcade on the Net". Some of the wares featured on the site include paintings, clothes, chocolates, Titan watches, Armani perfumes, jewellery, Reebok and Woodland shoes, squash racquets from Head, and toys. Online buyers can make payments by Indian and international MasterCard and Visa Cards, or even by cheque or demand draft. The site offers free shipping and handling and gift vouchers.



It is sure to attract interest once more brands and goods are added to its range. Worth a visit.

Feed the hungry

Did you know that 24,000 people die every day from hunger or hunger-related



causes, or that three-fourths of the deaths are children under the age of five? Or that the majority of hunger deaths are caused by chronic malnutrition in families that simply cannot get enough to eat? Do you want to do something for this gross human tragedy? **www.thehungersite.com** provides you the opportunity to satisfy your charity instincts. It allows visitors to donate a day's meal for the hungry by clicking on the "Donate Free Food" button. Interestingly, the user doesn't have to pay for the donation; its absolutely free, with no strings attached. The site has a pool of sponsors who take up the charge. The donated food is then distributed through the United Nations World Food Program, the world's largest food aid organisation with projects in 80 countries. An interesting concept as more and more cyberdonors start visiting the site.

WebWatch

Net begins to diversify

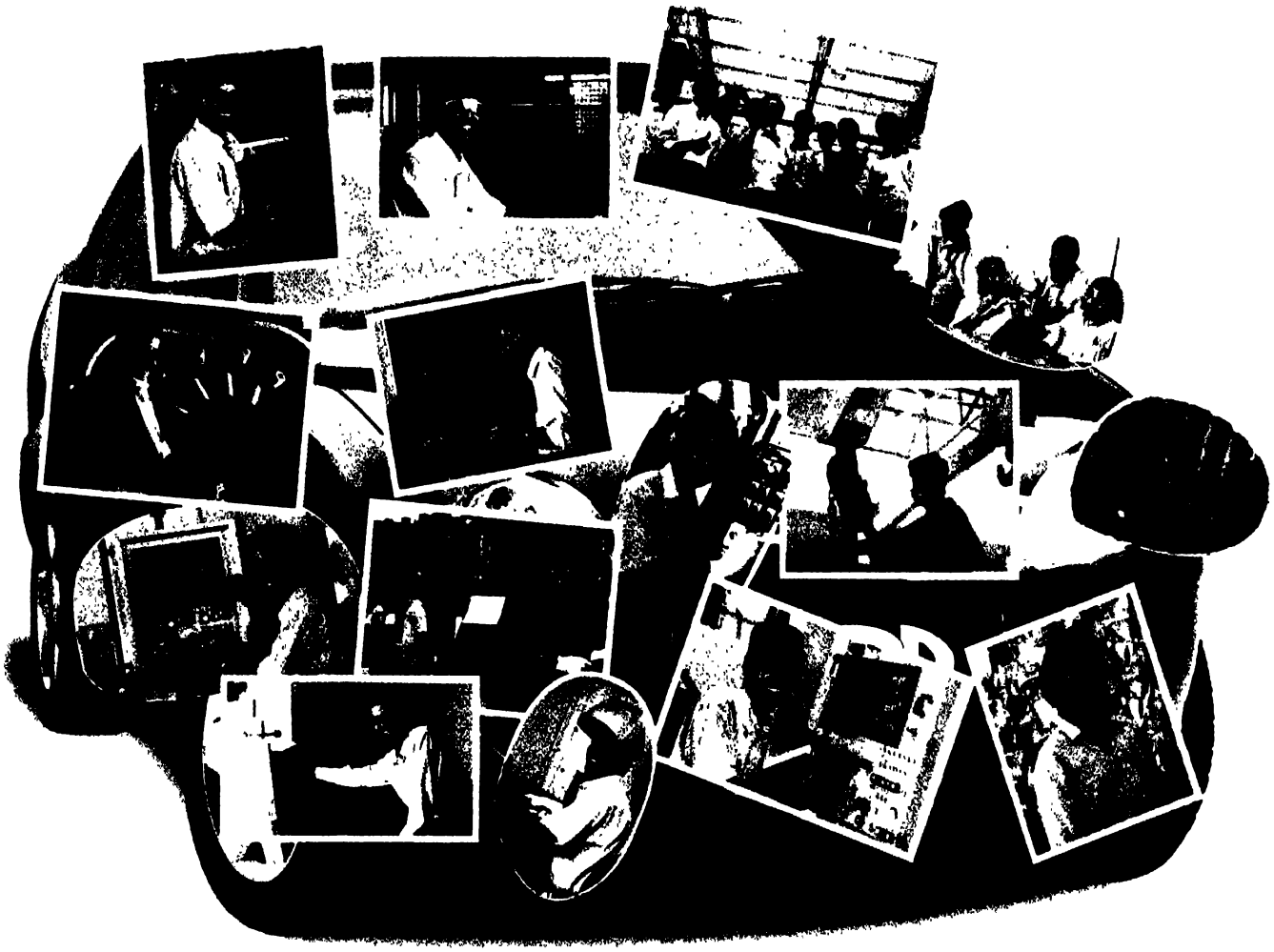
On the Internet, the golden rule is 'Big is Better'. The top 40 Internet companies were valued at some $300 billion at the beginning of July 1999 with the top three – AOL, Yahoo!, and AtHome – accounting for more than half of that. Reason: with their enticing portals, these companies were attracting a large chunk of online traffic. Not any more. A growing number of cyber analysts predict that a trend towards greater fragmentation of the Web audience is clearly emerging with the fastest growth to be found in sites that offer specific services or target particular demographic and interest groups. Does this mean that big portals will ultimately lose the fight against specialist Websites? Only time will tell.

Net trading

Internet-based stock trading is the in thing in the US and Europe — and it may be reaching Indian shores sooner than expected. According to a news report, the Stock Holding Corporation of India, recently, successfully tested an electronic kiosk which can be accessed by using a smart card reader allowing a user to buy and sell shares sitting at home. The stockmarket player will have to open a cash account with a bank which has an understanding with SHCIL and also a depository account with the corporation.

• *Compiled by* ANOOP BABANI

Faces Behind The IKON



IKON Behind The Faces.

HTA.7227.1999

The Ford supplier family - some of whom you see here - are busy meeting Ford's stringent quality standards for every component that goes into the new Ikon. Having invested heavily in technology, resources and quality systems, these smiling faces are as impatient to give you the car as you are to receive it. Just hang on.

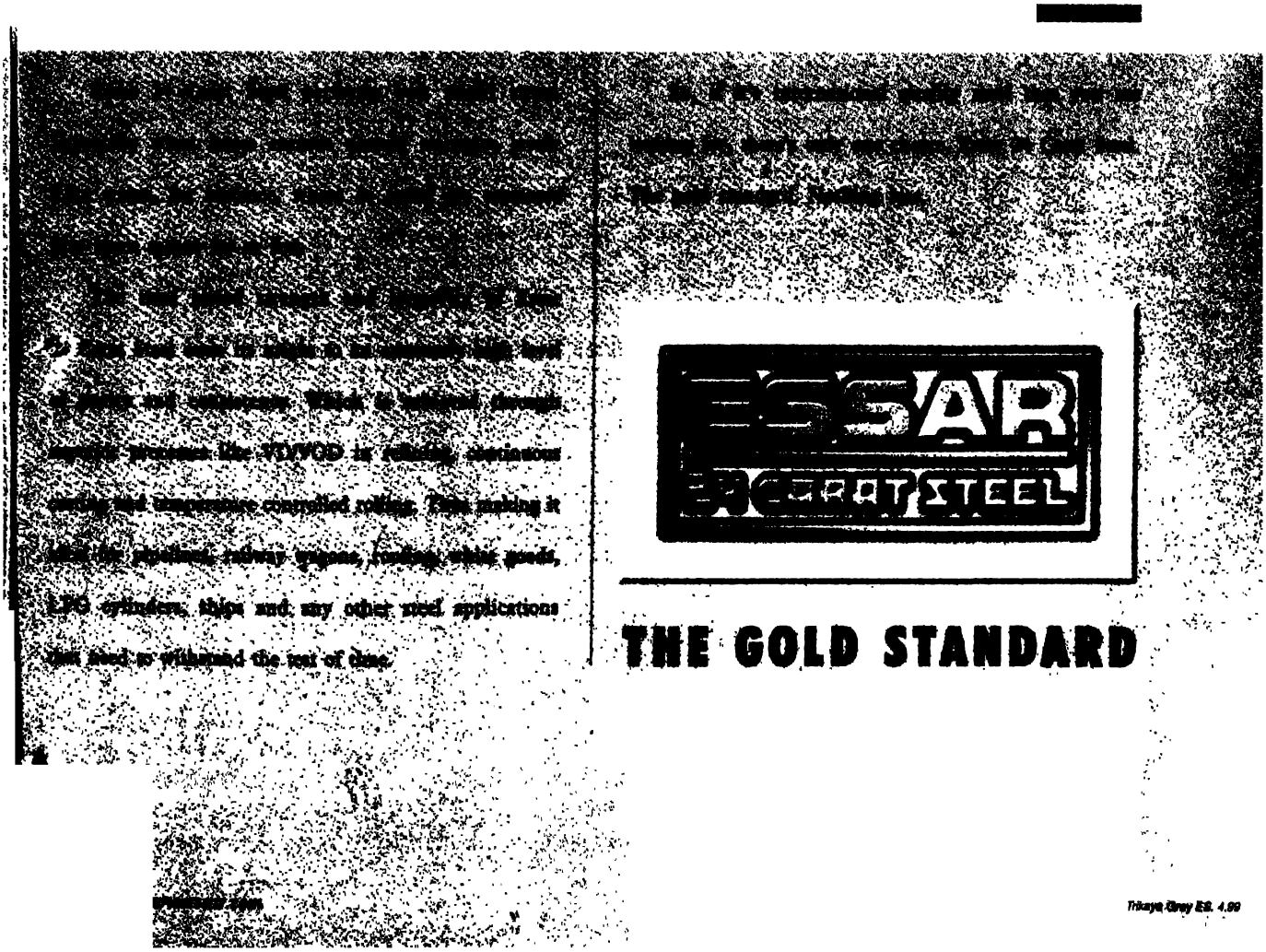
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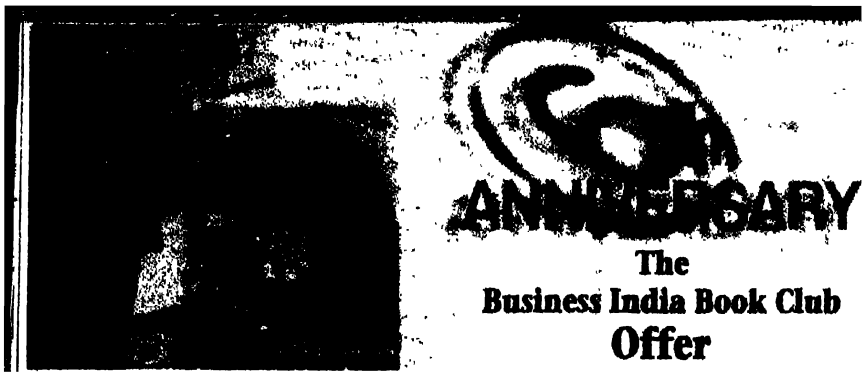
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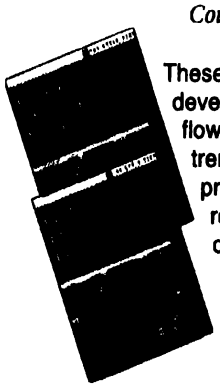


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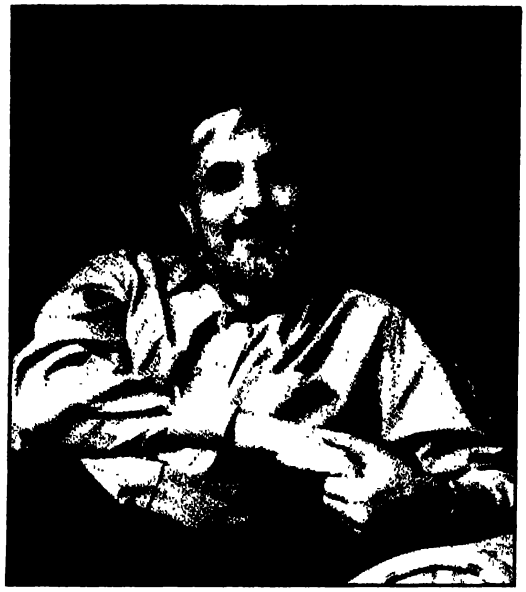
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More of Zee

The Zee TV supremo Subhash Chandra, as we all know, prefers anonymity. At a function held recently to flag off the first of Zee's regional channels, Chandra paid a fleeting visit disappointing many a scribe. Leave he did in a hurry but not before making a customary speech on his plans to get a pie of the regional channel marketshare. "Since we operate from here (Maharashtra), it was but natural that we launch a 24-hour Marathi channel which would cover news and events as well as entertainment programmes," he says.

In the coming months, Chandra expects to launch the Bengali, Punjabi, Malayalam and Telegu channels, not necessarily in that order. "There is scope for a complete bouquet of channels," he says, without ruling out the possibility that these would be pay channels. "The option is we could work out a package of channels (to make them paid ones)," says he. Going by the popularity of his channels both in India and overseas, he will surely succeed in making the cable operators toe his line.

The Zee counter has already caught the fancy of stockmarket operators and investors. From Rs500-odd that the scrip was quoting barely nine months ago, it is now ruling at Rs2,500 and several marketmen are of the view that there is ample room for appreciation in stock value. A substantial part of the earnings multiple (73 times) is because the bourses have begun giving greater weightage to brand values. The Zee brand, company officials say, is worth at least $2 billion.



PALASHRANJAN BHAUMICK

Chandra is wooing Maharashtrians

Our Cover feature of the issue dated 7 September 1998, had stated that Zee Telefilms would add several more channels. For starters, it has flagged off its regional channels quest with Zee Marathi

Rolta on a roll

Rolta India's latest move should provide a big boost to its image. RIL has entered into a strategic tie-up with the $1 billion Parametric Technology Corporation (PTC). The overseas company is a leader in CAD/CAM/CAE supply of software tools used in designing, manufacturing components and body styling. Known as the Pro/Engineer family of software tools, these are used by the automotive, heavy engineering, aerospace and consumer electronics segments of industry.

In India, according to company officials, four of the six two-wheeler manufacturers use these software tools to automate and reduce costs as well as improve quality and productivity. "The partnership would enable our customers to maximise their returns on investments. Our infrastructure and understanding of the mechanical design automation market will open up new channels and markets for Parametric's products," says K.K. Singh, chairman and managing director of Rolta India.

For PTC, the tie-up provides a foothold in India. PTC already has a research facility at Pune and has donated software worth Rs11 crore to the Indian Institute of Technology in Delhi, Chennai, Kharagpur and Guwahati. Says Chris Reisig, senior vice-president of the Asia Pacific region: "India is the key focus market for us in the south Pacific rim. Going forward, our direct presence coupled with complementary efforts, resources and infrastructure of Rolta, would enable many more organisations to experience the benefits of deploying world class product development solutions from us that provide them with a sustainable competitive advantage."

According to Singh, revenues from sale of such software tools could tot up to Rs60 crore annually. He says that the CAD/CAM/CAE software is no longer a requirement of only large organisations, but a part of the fundamental IT infrastructure of any organisation. Rolta is said to be a leading CAD/CAM/GIS solutions provider and a fairly large software exporter. For the six months to June 1999, the company recorded a turnover of Rs82.14 crore and netted a profit of Rs29.21 crore. The annualised earning works out to Rs10.6. The market price discounts the earnings less than 15 times.

• ROY PINTO

ROLTA

We had, in our 10 August 1998, issue, reported that RIL had become a total solutions provider. Its tie-up with PTC is one more feather in its cap

Way to go

We had, in our issue of 28 June 1999, reported that container handling at the Jawaharlal Nehru Port Trust in Nhava Sheva, Maharashtra, had witnessed significant improvement. But recent global figures reveal that the port still lags far behind the biggies, and indeed is only a step ahead of its ancient neighbour, the Bombay Port Trust

JNPT is a lot better than it used to be, but it has a long way to go before reaching the ranks of the biggest and best. The good news is that it has done well in terms of container and vessel turnaround, but on the distaff side, this has not yet translated into a serious shift in international traffic to the port, which is just outside Mumbai.

In a July ranking of the global top 100 container ports, the industry journal *Cargo Systems* reports that Nhava Sheva (JNPT), with 504,149 TEU (equivalent 20-foot container units) had reached the 73rd position for the year 1998, one ahead of its nearest physical neighbour, Mumbai (BPT), which clocked a few less, 503,310. A major difference between these ports is that JNPT recorded 19.1 per cent over its previous year's total, while BPT did 16.3 per cent less. According to information gathered by the magazine, BPT will show even less movement this year, only 480,000 TEU. JNPT has apparently not given them a target for its operations.

Overall, container handling has grown 8.3 per cent, to over 153 million TEUs. No other Indian port figures in the 100 rankers, but in the region (aside from Singapore), we have Dubai and Colombo in the first 25 (11 and 23, to be precise). Another four lead India, Bangkok (39), Jeddah (47), Khorfakkan (60) and Penang (72).

Apparently, JNPT has succeeded in cannibalising container movement largely from BPT,



PALASH

There is considerable scope for improvement at JNPT

and if the difference (nearly 100,000 TEUs) is deducted from JNPT's figures, the net growth for JNPT too will turn negative, down 4 per cent to just 406,169 TEUs. Clearly, the port will have to work harder now to market its services internationally, having made significant progress in ironing out its differences with labour and gaining the trust of its operational partners, cargo owners and their handling agents. JNPT may have to work harder with the press too, since this magazine, at least, has been declared *persona non grata* by its public relations division, for having dared to publish the news of its upturn without taking prior permission.

• VIKRAM CRISHNA

Going global

We had reported that Kopran Ltd had restructured its penicillin business by hiving it off into a new company (Business India, *25 January 1999*). *Now the Bombay High Court approval for the tie-up has finally come through*

With the industry shaping up to tackle the post-patent scenario, there has been a flurry of activity with pharmaceutical companies rushing to tie-up with suitable foreign partners. One such was Kopran Ltd, which restructured its money-spinner penicillin business by hiving it off to a new company, Kopran Drugs Ltd, under a strategic alliance with the UK-based Synpac Pharmaceuticals. With the Bombay High Court's approval finally coming through, Synpac will now be a joint venture partner in Kopran Drugs. The 50:50 JV will be between Synpac and Parijat Enterprises, the holding company of Kopran. Under the scheme of things, existing shareholders of Kopran will get one share of Kopran Drugs free for every two shares held. The new company will have an equity of Rs7.5 crore and is yet to be listed on the stock exchange. It is proposed to issue an additional equity equivalent to $1 million (or Rs4.3 crore) to Synpac.

The JV will benefit both parties. Synpac manufactures more than 4,000 MMU of penicillin and has recently started manufacturing 6-APA through a new technology, thereby reducing the cost of semi-synthetic penicillins. Kopran Drugs will provide the enzyme for this new plant. Synpac's contribution will also extend to marketing penicillin-based bulk drugs in the Far East and North American markets. Synpac's international set-up includes its associates Synpac Kingdom Pharmaceuticals, Taiwan, which manufactures finished dosage forms and a subsidiary in Carolina, US, which undertakes R&D in biotechnology. "This JV will create a synergy and provide Kopran Drugs with a continuous supply of penicillin/6-APA at competitive prices and thus have a major global presence," says Surendra Somani, managing director.

• BHAKTI CHUGANEE

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Federal Bank plans AMC

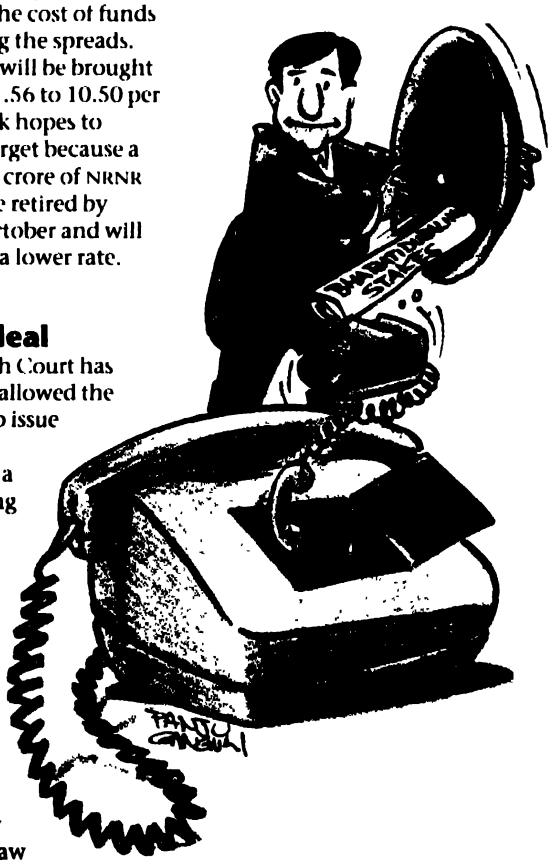
Federal Bank is toying with the idea of launching an asset management company, recognising the potential of portfolio management services and mutual funds. According to sources, since the existing subsidiary of the bank called Fedbank Financial Services could not enter the mutual fund industry, a separate company would have to be floated for the purpose. The source added that the bank had to fine tune the proposal before presenting it to the Board for its approval. The company plans to offer portfolio management services to the ordinary investor. The bank had made a net profit of Rs4.18 crore in the first quarter of the current year, down from Rs21.71 crore during the same period of the previous year. However, the bank is poised for growth, the setback in profit notwithstanding. The bank's strategy would lay emphasis on reducing the cost of funds and increasing the spreads. Cost of funds will be brought down from 11.56 to 10.50 per cent. The bank hopes to achieve the target because a total of Rs700 crore of NRNR deposit will be retired by September-October and will be repriced at a lower rate.

HC okays telecom deal

The Delhi High Court has conditionally allowed the government to issue new telecom licenses under a revenue sharing arrangement to the existing operators. At the same time the Court made it clear that the Election Commission could pass any orders that it saw fit. The Court was hearing a public interest litigation filed by the Delhi Science Forum, challenging the government's decision to allow existing operators to migrate to revenue sharing. In its interim order, the court said that the new licenses would be issued only to those basic and cellular operators who agree to give an undertaking that the migration from fixed licence payments to revenue sharing would be subject to approval by the next council of ministers and new Parliament.

Bharti Telecom to hive off phone making unit

Bharti Telecom is planning to spin off its telephone manufacturing business into a new company, Bharti Teletech, floated recently. Bharti Telecom has two factories manufacturing phones located at Ludhiana and Gurgaon. Phonemaker Goa Telecom, a wholly-owned subsidiary of Bharti Telecom, will also be merged into Bharti Teletech. The decision to hive off its phone-making business is part of a restructuring process started last year to separate its services and manufacturing activities. According to sources, the stakes Bharti Telecom holds in Bharti Duraline, which makes cable ducts, and Siemens Telecom, a joint venture with Siemens India, will be transferred to Bharti Teletech as a part of the process. The Bharti group controls two mobile phone networks in Delhi and Himachal Pradesh and a fixed-line phone licence in Madhya Pradesh. The group's investments in these networks are routed through Bharti Telecom.



Sierra Atlantic to up stake in Optima

US-based Sierra Atlantic Inc is hiking its stake in Hyderabad-based Sierra Optima to 25 per cent from current 4.50 per cent. It is learnt that the stake is being hiked through an internal exchange of holdings between the Indian and foreign promoters. The Indian promoters are transferring around 20 per cent holdings in the company at a price of Rs377 per share compared with the current market price of Rs371 on the Bombay Stock Exchange. With the transfer of holdings, the Indian promoters' stake would come down to 7-8 per cent. Subsequent to transfer, the promoters' holdings in the company would remain unchanged at around 40 per cent while 60 per cent would be held by the public. Sierra Optima has received approvals from the FIPB, Sebi and the RBI. According to officials, the move is exempted from Sebi's takeover code as it is an internal adjustment and would not lead to any increase in equity capital. The stake is being hiked taking into account long-term relationships with the foreign collaborators who currently hold low stake in the company, but contribute a good amount of business, officials added.

Smart banking

Most people agree that plastic is a more sensible way to handle money, in the form of credit and debit cards. Of course, those that don't, like the Maharashtra government, think that cards are a means to extract more money from the people in the form of double taxation on sales. Be that as it may, the world is heading towards a smarter variation on the original plastic, namely, the smart card, which incorporates a microprocessor chip embedded in the plastic. Information can be stored on the chip in a much more secure and reliable fashion than on the magnetic strip implanted on an ordinary card. This enables users to use the cards as a much closer and more acceptable approximation of the traditional and familiar paper and metal cash form that money usually has taken. Of course, this calls for some fairly significant change in the way that regulatory and executive organisations, such as those belonging to the banking system, handle their affairs. Precisely how that will be done has now been formulated in India following a study conducted in the Indian Institute of Technology, Bombay (sorry, Maharashtra government, it hasn't yet changed its name in English, and it was always Mumbai in Hindi). On 20 August, 1999, the newly formulated standards for the use of smart cards in India were formally handed over to the Reserve Bank of India at a small and sober ceremony in IIT Bombay.

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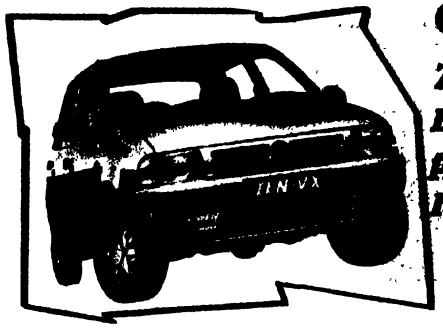
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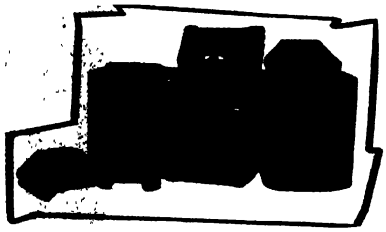
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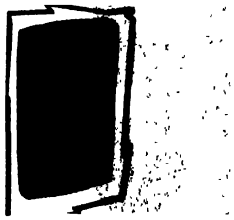
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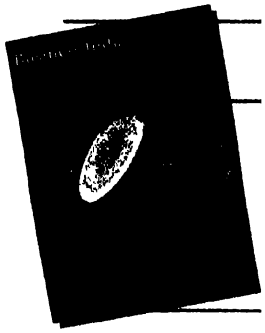


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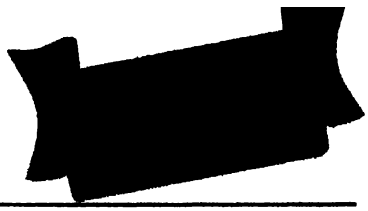
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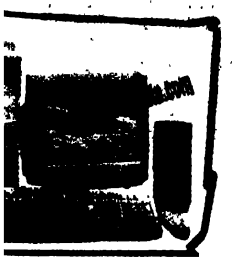
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GIC to provide health insurance

The Union government granted an in-principle clearance for the setting up of a new GIC subsidiary which will manage specialised healthcare insurance business in the country. The official stamp of approval will be received once the new government is formed at the Centre and the Parliament is installed. GIC is also setting up another subsidiary for corp insurance, which is currently managed by the state government. GIC has corp cells in each of its subsidiaries to administer the scheme. The plan now is to spin this business off into a new company with independent functions. This would be the first time health insurance is being managed by a separate outfit. According to sources, gradually all the health insurance schemes would come under the purview of this subsidiary. However, though the new company will manage the business, the entire marketing will be undertaken through GIC's four existing subsidiaries.

Index rejig may hit India

Morgan Stanley Capital International Inc said it was increasing weightage for Taiwan and reincluding Malaysia in the MSCI Emerging Market Free, a move which could impact foreign portfolio investment into Indian markets. The change could affect the decisions of the fund managers who based their India investment on the MSCI-EMF, analysts say. According to them, it was difficult to assess whether and how India would be affected. MSCI has not put out a revised index as yet. India's weightage in MSCI-EMF was 8.5 per cent as on 30 July 1999. Korea was the highest with 15.8 per cent followed by Taiwan 11.1 per cent, South Africa and Mexico at 11 per cent each. The MSCI-EMF comprised of 25 emerging countries. With the reinclusion of Malyasia, the list would go up to 26 countries. It is safe to assume that India would lose its standing, as would many other countries in the region, opined one fund manager.



Nippon all charged up

The Chennai-based Nippon Industries Ltd, a leading manufacturer of electronic ignition systems, is bullish on the demand for the product in the current year, following the 10-12 per cent growth predicted for two-wheelers. The company plans to invest Rs4 crore this year to manufacture the new range of CDI and regulator/rectifier with surface-mounted devices as well as introduce the new digital technology-based ignition system. The company hopes to increase its market share from 32 per cent in 1998-99 to 35 per cent due to the addition of new customers like LML and introduction of products for new applications for existing customers.

BSE adds 12 more infotech stocks

In a reshuffle that will see 26 scrips replaced, the Bombay Stock Exchange announced that it is bringing 12 more infotech stocks into its carry forward list – the A group. The decision to revamp the A group was taken by the Index Committee of the exchange at a meeting held recently. The committee reviews the list every quarter. The size of the A group will not change and remain at 150 scrips. The reshuffle will add Rs41,000 crore or 13 per cent to the current market capitalisation of the group as per BSE estimates. The change in composition will take place with effect from Settlement No 26, beginning 14 September 1999. According to a BSE official, scrips for replacement have been selected on the basis of parameters which hinge on market capitalisation, liquidity, shareholding and management. The 26-scrip list includes 12 IT scrips while the rest are related to healthcare, oil and gas, media and the housing industry.

Voltas sets up territorial organisation

Through resources generated from the chemical plant and white goods undertakings, apart from the sale of investments in Merind Ltd, Voltas Ltd has significantly brought down its borrowings. The company's 1998-99 annual report shows that despite setting aside these sums, there was an extraordinary income of Rs26 crore. Voltas's debt:equity ratio has thus improved from 2.26:1 in March 1998 to 1.23:1 in 1999. The company has put a new territorial organisation in place which, while empowering sales, will ensure more efficient use of cash and strict commercial discipline. The company is also making efforts to bring all its offices to one location to reduce costs and improve operating efficiencies. Voltas, however, clearly stated that the extraordinary income will not be available in a substantial measure during the current financial year. The airconditioning business will also have to contend with low margins in spite of higher volumes, especially in 'unitary' products, Voltas said. The company's engineering projects and projects division was affected by recession in its user industries, automobile and automobile ancillary segments.

Pfizer rebrands Becosules

Pfizer Ltd is going in for a brand extension of its most significant product, the vitamin formulation Becosules. The new product will be free from price control and eventually replace Becosules, the price of which was slashed recently. According to sources in the company, Pfizer is coming out with Becosules Plus, which will be in the market soon. The new product contains the coenzyme vitamin H, also known as Biotin. The new product will be priced just above Rs11 for a strip of ten, marginally below the price of Becosules when it was brought under price control and suffered a onsequent price cut to Rs7.90. Becosules, at one time the largest pharma brand in the country with sales of Rs70 crore, was brought under price control earlier this year. The clamping of control was a major blow to the company, which issued what amounted to profit warnings at its AGM recently. The old Becosules is likely to go off chemists' shelves as soon as Pfizer stops producing it on the grounds that the price allowed by the government is too low.

Indian steel cos upstage competition in Europe

Taking advantage of the sharp upturn in international prices of hot rolled coils, Indian steel producers have begun pushing exports in a big way. The move can considerably reduce the two million tonne surplus in the domestic market. The Indian makers command prices higher than those of their West European counterparts, at $260 per tonne FOB. Ispat Industries managed to receive $270 a tonne on FOB for its September shipments within a year of commencing production while Essar Steel has contracted $305 a tonne on C&F basis to the United States. The current upswing in HRC's export price will help new mills to meet some of their commitments to the Export Promotion Capital Goods Scheme. Currently, the average export price of HRC is $260 a tonne. It was $203 in January 1999.



SBI plans IT network

The State Bank of India is planning to network all its 2,500 computerised branches, all its ATMs and make a foray into Internet banking by March 2000. SBI has invited presentations from 10-12 international and domestic consultants to advise it on an information technology blueprint to lead it into the new millennium. The mandate for the consultants will include suggesting technological improvements to be made to the existing system and the new technologies to be adopted to equip the bank to compete in the new millennium. The bank, which has world's largest branch network, feels technology will be the biggest challenge in the new millennium, with technical progress determining which banks will lead in the future. The bank is also planning to broadbase its shareholding in its major subsidiaries starting with SBI Capital Markets. On the issue of SBI Home Finance, SBI would try its 'level best' to see what can be done. The options being considered include recapitalisation, takeover of assets and liabilities and winding up the company or taking over its assets and liabilities and buying out the remaining shareholders.

Hewitt plans thrust

Noble & Hewitt and Hewitt Associates, a human resources firm and a global management consulting firm respectively, said that they would further integrate by creating a wholly-owned Hewitt operation in India. The integration process of both companies will become effective after obtaining necessary approvals from the government, according to a release issued by the company. Noble & Hewitt joined forces four years ago. As the business needs of clients in India and around the world grow, we believe it is important to further invest in and further build up on our services, technology and global network capabilities, said a Hewitt Associate executive.

CESC wants more loan

The RPG-managed power utility, CESC Ltd, will make fresh borrowings to cover the additional cost for its 500 MW Budge Budge venture. The venture's project cost is currently under dispute. The company has obtained term loan sanctions of over Rs200 crore from FIs with ICICI and IIC I sanctioning Rs120 crore and Rs40 crore respectively. Besides, the former has sanctioned a Rs45 crore loan for routine capital expenditure requirements. The company is planning to take shareholders' approval for hypothecation of properties at its annual general meeting in September. The West Bengal government has imposed a Rs1,853 crore cost cap on the project, which is around Rs400 crore less than the cost figure arrived by CESC. The dispute was referred by the company to the Central Electricity Authority for arbitration and the proceedings are on.

• Compiled by ROY VARGHESE

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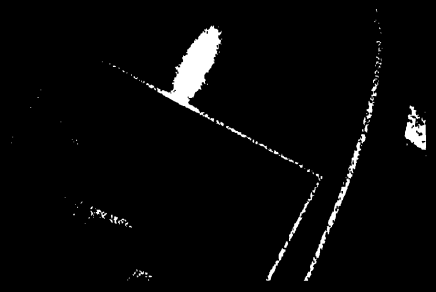
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Already Nokia has created the world's first integrated communication device (the Nokia 9000) and its successor (the Nokia 9110), the world's first cellular data card and the world's first software based data solution for GSM phones called the Nokia Data Suite.



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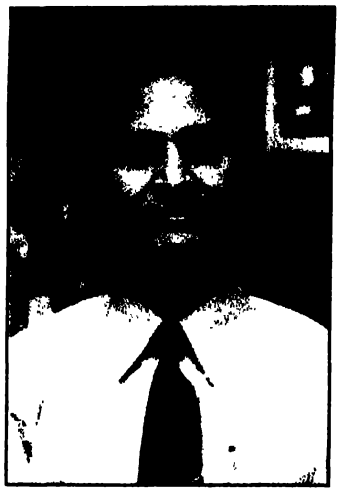
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NOKIA

Connecting People



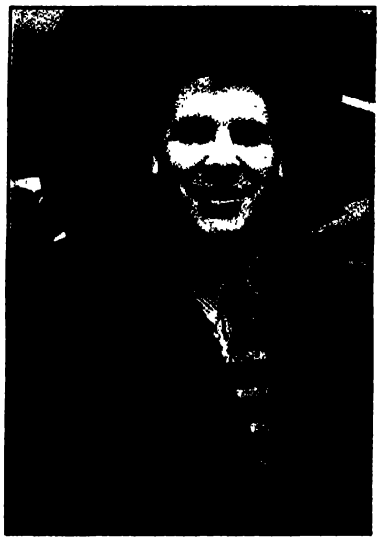
The vice-chancellor of the Indira Gandhi National Open University (Ignou) announced its entry into an alliance with KarRox Technologies Ltd, a Mumbai-based IT training organisation, for dissemination of its three-year bachelor's degree programme in information technology. "The course includes online certification at KarRox's centre," professor Abdul Waheed Khan clarified, "so that students will get the benefit of distance learning for the full duration of the course." Students in Maharashtra will also be able to complete Ignou's BCA and MCA programmes at KarRox with the inception of this alliance. Ignou is also actively working towards augmenting its other distance learning programmes to take advantage of the rigorous environment that the online methodology promises. Khan has had considerable experience in distance learning in other countries, including Bangladesh and Nepal. He initiated All India Radio's 'Farm School on the Air' programme in 1975. This is his second stint at Ignou, having spent six years from 1986 as director, communications. ♦



Brintons Ltd, UK, is a £112-million (Rs700 crore) global major in machine-woven carpets. Over the last 14 months it has been busy setting up its first manufacturing base in Asia, which is an EOU, near Pune in India. John Pilling, group manufacturing director, flew down to Pune to see the progress of the work at the company's 25-acre production site located at Pirangut, on the outskirts of Pune. "The Brintons Group worldwide has been growing at the rate of 5-7 per cent, despite the fact that the market for its products is static for the last couple of years, especially in Europe and US," reveals Pilling. "Last year we acquired an American carpet manufacturing company and this year we have set up operations in India, which at full production capacity should add Rs80 crore (£12 million) to the group turnover," he adds. Pilling is excited about the Indian market too, where Brintons Ltd has already been selling carpets to the Taj, Oberoi and Leela Group of Hotels, even before setting up their manufacturing plant in Pune. "We now hope to expand our customer base in India and become market leaders, besides exporting from here to countries like China, Australia, UK and US," sums up Pilling. ♦



The US-based Megasoft Consultants Inc has launched its India operations recently in Chennai. "The India facility will be both an R&D centre and an offshore development centre," says Ravi Reddy, president and CEO of Megasoft. "This centre will be involved in cutting-edge technologies such as Internet-based applications, e-solutions and wireless messaging systems." Another reason for setting up India operations was to provide opportunities for Megasoft employees who want to return to India. Reddy, who had set up Megasoft in 1994, feels that this was the right time for India operations. "If I had come to India earlier, I would have been lured into picking up talent in mainframe technology and legacy systems, which were a rage at that time. I would have been stuck up with that baggage. Now I have the advantage of hiring top-notch professionals with skills in frontier technologies to work for us," says Reddy, who hails from Nellore in Andhra Pradesh and has graduated from REC Trichy. Reddy did his masters from John Hopkins University. Regarding the company's future plans, Reddy says, "We have all along been strong in client-server technologies. Now, we are going in a big way into Internet-related technologies. Soon, there will be a shift in our revenue source." ♦

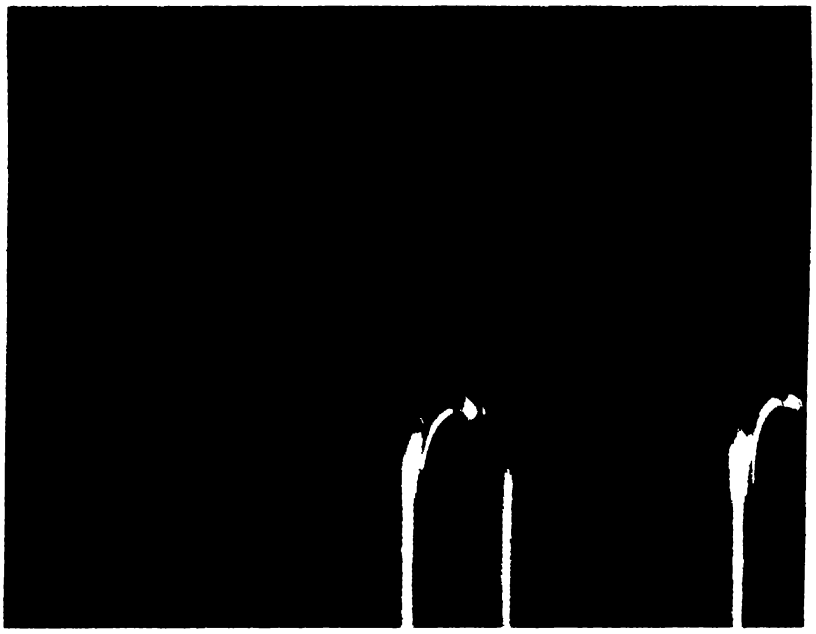


Two Irish companies are tying up for parallel development centres in Pune. Padhg Crowley, the Dublin-based operations director of Pace Software, was in Pune last fortnight to lay the ground for his company's long-term strategic relationships with Iona Technologies plc, the first Irish company to achieve a billion-dollar valuation on Nasdaq, and e-commerce specialist Trintech, with 1988 sales of about $20 million. "Our target is the mid-size European software companies with high growth paths but resource constraints," Crowley explains. Pace offers access to critical resources, a reduction in product development cycle time and, consequently, sustainable cost savings to such companies in the fields of e-commerce, communications and systems software. ♦

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Intelligoods

The launch of this collaborative consultancy will boost a critical input of an organisation's distribution systems



PALASHRANJAN BHAUMICK

Guzder, Ashish Basu (IQI), and R.S. Pawar (NIIT) come together

Three very different companies have just announced their decision to work together in order to give commercial organisations the best of breed information and implementation of logistics solutions. AFL Ltd, IQI Ltd, and NIIT will pool their talent to create uniquely complete solutions for commercial organisations. Logistics, a fairly new business, grew from the discovery by the Toyota Motor Co in Japan that significant cost-cutting can be achieved by simply reducing the quantum of goods locked into the total distribution system. Initially implemented as just-in-time (JIT) deliveries by vendors to manufacturers, the activity has been enhanced considerably in many industries to include complete outsourcing of distribution and tracking (often over the Web).

Most people will be very familiar with UPS and Federal Express, which deliver small packages around the world. Actually, these companies are equally comfortable with a related activity for commercial organisations, managing the flow of goods in process as well as before and after manufacturing, in fact, the entire supply chain. AFL, which has a long-standing relationship in India with DHL, a major global player, has spotted a rich opportunity to assist companies to build complete solutions. IQI, promoted by NIIT to implement quality in goods and processes for client organisations, has built a strong reputation for its ability to analyse distribution processes (among others) and identify ways and means of continuously improving them. NIIT is one of India's largest software companies, and has optimised its software development process with internally developed tools. Put together, the three hope to be able to afford customers a very intimate approach to their problems.

According to figures on the rural market gathered by managing director Cyrus Guzder of AFL, India is exhibiting active consumer behaviour in very non-traditional regions, and these in fact represent the strongest growth opportunities for FMCG (fast-moving consumer goods) and consumer durable vendors. These are the previously considered rural areas, beyond the metros and mini-metros, which are today filling up with new consuming classes who are exposed to the range of goods and services enjoyed by residents of the cities by the rapid spread of television and cable channels.

Satellite towns of industrial clusters and the *mandi*s, together with other towns of over 100,000 people account for as much as 75 per cent of the Indian market. This fact, taken together with the statistic that the supply chain represents over 80 per cent of the cost structure in a typical manufacturing organisation (spread between purchases — 50–55 per cent; manufacturing — 15–20 per cent; physical distribution — 10 per cent; and sales — 5 per cent), means there's a lot of scope for Indian companies to use advanced cost-reduction exercises in their approach to this rapidly expanding and valuable market.

"The global standard for supply chain costs is under 1 per cent of GDP, but in India this figure is far higher," asserts Guzder. He bemoans the fact that 14 per cent of manufactured goods and 30 per cent of farm produce is lost in the chain, not just a social disaster but a real economic problem for a country like ours. Previous cases of supply chain management solutions include a cycle time reduction for Hewlett-Packard computers and peripherals (between the US and the Indian customer) from 37 to just 10 days, temperature-controlled transport solutions for McDonald's, and order-to-delivery cycle reduction from three weeks to three days for the Godrej (Godrej & Boyce Mfg Co Ltd) lock division.

With this background, Supply Chain Consultancy Services, the branded collaborative effort between AFL, NIIT, and IQI, will bring together competencies in the management of physical distribution (AFL), information technology (NIIT), and process improvement and integration (IQI) to assist Indian companies transform the supply chain into a value chain.

› VICKRAM CRISHNA

TELESHOPPING

Beyond TV

Teleshopping was a unique product when it started in March 1995. The two players who entered the market around that time, Tele Shopping Network (TSN), a part of the Unilazer group, and Asian Sky Shop, a part of the Essel group, had a difficult task on hand — to influence decision-making and build a market without allowing customers to touch and feel the products they were buying. But the efforts of both have borne fruit. In the last four years both companies have been able to make a dent in this market. According to Gita Jaisinghani, manager (marketing services), Asian Sky Shop, her company has successfully marketed over 250 products and established a customer base of over half a million people. Their range includes home appliances, fitness equipment, toys and games, healthcare equipment, *et al.* TSN is close behind with a customer base of 300,000. There are other factors also that indicate teleshopping is a success has been able to influence decisions. "That we have succeeded in influencing decision-making is shown by the fact that the maximum retail price (MRP) of goods sold on the show are in the range of Rs1,200–1,400. This is equivalent to the American standard of $29.99 on teleshopping shows," says Rajan Kaicker, managing director of TSN.

The primary medium of communication for teleshopping is the television. TSN is aired for approximately five hours daily over 12 channels, terrestrial, cable, and satellite. Asian Sky Shop airs its infomercials on Zee TV throughout the day. Now to build up the credibility of what you see on television, both players are refocusing their business. A customer can now order a product either by phone, mail order, or off the Internet. Both companies have also expanded into retail outlets "so we can optimise the brand equity we have built for our products over a period of time", says Jaisinghani. So now some of the bestsellers of teleshopping, such as the *roti* kings and snackmakers, will also be available at the retail outlets and on the Internet.

Distribution is an important ingredient for success. TSN has already established a varied distribution system in Delhi and seven other cities in Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, and Gujarat. It has 94 franchisees and sub-franchisees. "We are the first people to provide a range of products that are heterogeneous, with a heterogeneous distribution system," says TSN's Kaicker. Further, Tele Shopping Network is changing its name to Total Shopping Network. The retail business, started in January this year, has already set the tills ringing. Until July the new retail business accounted for 20 per cent of TSN's sales (Rs30 crore for this year). The TSN supermarket shop-in-shop is a replica of the TSN supermarket on the show. The company has already established 18 outlets in Mumbai in places like Foodlands, Akbarally's, and Apna Bazaar, to mention a few. Kaicker wants 26 outlets in Mumbai by the end of the year, after which the concept will be taken to Bangalore, Chennai, and Delhi. His overall target is 300 outlets nationwide by the year-end. According to Kaicker, "The investment is not in terms of bricks and mortar as the shops are already there; it is in very small terms just to establish our presence in the store."

E-commerce is definitely identified as a high-growth business. TSN has already soft launched itself on the Internet at www.tsnshop.com, a site positioned as a shopping portal. The advantage these companies have *vis-à-vis* other companies entering the e-commerce business is a head start in terms of product range and distribution set-up. Both Asian Sky Shop and TSN are tapping the global market. TSN has already established a presence in South Asia with direct response TV in Sri Lanka, to be followed by Nepal and Bangladesh. By September this year the company hopes to have a presence in Dubai as well. The first Asian Sky Shop outlet in Bangladesh is slated to open 'soon'. Outlets in Nepal and Bangladesh are to follow.



UMESH GOSWAMI

Teleshopping provides a heterogeneous range of products, says Kaicker

Further, to position itself as the first integrated, marketing network, TSN is also taking up the marketing of branded goods such as Anchor sewing kits, Kotak Mahindra deposit schemes, gypsum boards from Gypsum India, Eureka Forbes' vacuum cleaners, and Cox & Kings' tours, to mention a few. "Over a period of time as the teleshopping channels and their products gain credibility in the customer's minds, the market looks poised for a quantum jump in growth," says Asian Sky Shop's Jaisinghani.

– BHAKTI CHUGANI

DATA WAREHOUSING

The new Big Thing

Indian industry is going through an IT revolution. As more and more business processes get computerised, a huge volume of data is generated. This raw data on its own is of little use. This is where data warehousing comes in. Put simply, a data warehouse is nothing but a repository of processed data collected or captured from disparate sources in an enterprise.

To give an example, data relating to sales is generated at several places in an organisation — often in far-flung, departmentally isolated systems of an enterprise. The concept of sales itself would mean different things to different people. For example, the product manager's idea of sales would be different from that of the finance manager.

The raw data is captured, cleansed, and stored in a data warehouse so that it can meet the decision-makers needs. The data warehouse, which is insulated from the transactional or operational data of an organisation, is designed specifically for the use of decision-makers. Once the data is stored in a warehouse, decision support system (DSS) tools are used for querying and reporting, analysis and interpretation, and mining.

Software giant TCS is already a major player in this new field. Two new players, Chennai-based Open Business Solutions India (P) Ltd and Hyderabad-based Daphne, have launched indigenously developed DSS products. TCS, on the other hand, is not into product development. "We have been concentrating on consultancy. We have a fairly large, experienced team working on setting up data warehouses. The success of a DSS depends on the design of the data warehouse and not on the tools that are available in the market. Therefore, our focus has been on designing and setting up data warehouses," says TCS vice-president K. Padmanabhan.

OBSI recently released IntelliMine Version 3.0, a decision support tool for data warehousing. "This tool offers a wide range of features which are tailor-made for the Indian market, particularly for FMCG, retail, automotive, and banks and FIs," says Sridhar Ramaswamy, director (India operations) of Systech Solutions Inc, of which OBSI is a subsidiary. Daphne offers the Daphne Datamart Suit, which it says is an integrated set of tools that "automates the process of designing, populating, and managing datamarts". It has another product called the Daphne ROLAP suite, which is a set of tools for reporting, analysis, and metric computation.



T S RAMESH

A good DSS could make a big difference in the competitive services sector, says Ramaswamy

Software companies are confident that Indian companies, which are learning to survive and grow in the new liberalised and highly competitive environment, will soon realise the importance of data warehousing and DSS. "DSS has become critical for all businesses to stay competitive," says S. Raghavan of the department of computer science, IIT Chennai. "A data warehouse empowers decision-makers with business information on their desktop, resulting in faster, better decision-making and a more flexible and responsive organisation," according to a Daphne white paper on data warehousing.

A data warehouse can be can be used for several purposes, depending on the nature of the business and its objectives. "At a macro level it can used for understanding business trends and identifying core competencies; at a micro level for making decisions about product mix, analysing profitability, estimating operational efficiencies, etc," says Padmanabhan.

Data warehousing is more relevant for companies that have to know the mind of the consumer. "The DSS can be effectively used by companies that are in the highly-competitive services sector, where an insight into the consumer's mind alone can give a competitive edge. A good DSS would help determine individual consumer preferences, forecasting consumer behaviour and, through slice-and-dice analysis, uncovering hidden trends and new business opportunities," says Ramaswamy.

For a manufacturing organisation, a data warehouse would help rationalise inventory and supply, weed out poorly performing products, and manage all segments of the supply chain, including procurement, manufacturing, distribution, and logistics.

Data warehousing is a pretty expensive proposition. It can cost anywhere from Rs10 lakh for a SME to over a crore rupees for a large corporate, depending on the volume and complexity of data. Put to proper use, a company can get back its investment in a short time. The quantifiable returns would be in the areas of cost-cutting and enhanced productivity.

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CRICKET TELECAST RIGHTS

Zero sum game

The Board of Control for Cricket in India is sitting on a honeypot. And a lot of bees are swarming around to grab the five-year international cricket telecast rights on offer. In 1994, when BCCI broke the Doordarshan stranglehold on cricket telecasting in India with current ICC supremo Jagmohan Dalmiya at the vanguard, Trans World International and Communication Service International were bidding for the right to represent the board as a distributor. Carping critics reckon that TWI's bid was accepted because of its frontman Mark Mascarenhas's alleged proximity to Dalmiya.

Raj Singh Dungarpur, president of BCCI (his three-year term expires next month and he will be replaced by Tamil Nadu Cricket Association president A.C. Muthiah, vice-chairman of the Spic group), says: "The TWI bid was for $2.7 million per year for five years (i.e. $13.5 million all told at $100,000 per day for the 27 televised international playing days in a domestic season). Of this, a 30 per cent commission went to TWI. This arrangement lapsed on 30 June 1999, and the board is keen on exploring fresh bids for the coming five years. The new bid will be considerably higher than last time." Incidentally, this $13.5 million less 30 per cent went a long way towards rehabilitating the financially debilitated cricket board those days. It is expected that Rs300 crore will definitely be the cut-off point.

While the media continue to speculate on the bids, Dungarpur is categoric: "We will have to evaluate the veracity of each bid in great detail. My contention is that channels should bid, as we are not very keen on middlemen or agents. But that does not mean we have frozen all options in this regard. Doordarshan is a very important player which cannot be ignored, for it has the largest viewership on offer."

Business India has ascertained that, with BCCI asking for a broadcast window offering a minimum 15 million households, alliances and alignments may be just what the doctor ordered. Insiders at Sony, one of the bidders (Rs160–225 crore) claim that they will pull out at the last minute. Others feel that Sony Entertainment Television, which was initially bidding to secure the rights on its own, may be looking at a strategic alliance with rivals Zee Television. Zee TV's individual bid may be Rs250 crore and this will help it kickstart its new sports channel. If at all a joint bid guaranteeing viewership in excess of 15 million comes through, it will not be less than Rs350 crore. ESPN–Star Sports (current bid Rs150–260 crore), beneficiaries last time round, are reckoned to be out of the loop this time.

SET executive president Rajesh Pant claims, "The time has come to turn cricket into the *numero uno* home entertainment segment, just as football arouses passion in Europe and South America. While we are making a



Dungarpur says the winning bid this time will be considerably higher than the last

favourable bid for the rights, we are weighing and measuring our options almost daily. We are respectful of the state broadcaster Doordarshan and we don't want to get into a firefight with anybody. After considerable thought we clinched the Sri Lankan and Singapore tourneys. But our strategy for these two tournaments is very clear — we are looking at it as a market penetration device. Remember, we don't have much of a presence down south, so this will enable southern households to tune into Sony and, hopefully, get hooked onto our programmes. The India matches in the World Cup had TRPs ranging between 17 and 22, and this proves the magical quality of the sport." While Pant's action plan doesn't reveal the alliance with Zee, there is another more potent alignment possible.

Prasar Bharati Corporation chief executive Rajeev Ratna Shah is considered by many as the floater in the pack for he is very keen to sew up the deal. Raj Singh's comments to *Business India* also revealed that DD might be the favoured party. Nimbus Communication Ltd, which according to many has made the single largest composite bid of Rs500 crore for the multimedia rights incorporating television (satellite and terrestrial), radio, Internet, and merchandising, appears on paper to be the leader at this stage. But CEO Harish Thawani says that trends over the last fortnight don't exactly inspire confidence. "BCCI is a house divided on this subject. I don't think the august body is either transparent or progressive. I've already confirmed to it in writing that Nimbus has a JV with one of the world's best sports production houses. Moreover, I can state that I have a 54 per cent stake in a broadcaster. Logically my bid cannot be struck down, but then who knows?"

Thawani is reported to have met R.R. Shah and the two could have come to an agreement whereby Nimbus is expected to pull out in favour of the Prasar Bharati bid, which will then be underwritten by Nimbus and Nimbus Creative Corporation will take up the marketing and production (including filming) aspects for Prasar Bharati. Essentially the same role Nimbus played during the recent World Cup, where it covered all the components barring the filming *per se*.

Nimbus's bid of Rs500 crore is in place and if BCCI accepts it, the structure will be as follows:

- Rs25 crore will have to be paid as the signing amount;
- Rs50 crore before the start of each international season as bank guarantee; and
- another Rs25 crore before the culmination of each playing season.

This effectively means that almost Rs100 crore will have to be paid every year to BCCI. Against this BCCI will

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- **5th Prize 10 Nos - Sony Walkman or Panasonic Cordless Phone**
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guarantee 140 playing days over the next five years. This season, for instance, New Zealand and South Africa will be visiting India, playing three Tests and five one-day internationals each, i.e. 40 international playing days. In turn, 70 per cent of the money coming from the bid accrues to the 15 international staging associations, 10 per cent to the seven associations that don't hold international matches, and 20 per cent directly to BCCI. Dungarpur claims, "The board president, five vice-presidents, two honorary secretaries, the honorary treasurer, chairman of the marketing committee, and Jagmohan Dalmiya as a special invitee will be overseeing the awarding of the bid." But Thawani adds that BCCI has split vertically on this issue and while the 11-member committee might be overseeing the bid, the 21-member working committee will have to ratify it. Thawani is spoiling for a fight because he reckons the odour of fish market bargaining pervades the board.

He says, "Rs100 crore on a rotational basis is no big deal in this day and age of structured finance. The money can be raised very quickly if we show the projected cash flow streams. After all, we did do the 1999 cricket World Cup at very short notice and successfully at that." While that may be true, it is increasingly obvious that televised cricket is turning into a zero sum game. Take the case of the cricket World Cup telecast which, after Hitchcockian suspense and protracted litigation, was awarded to Nimbus 48 hours before the event went onstream.

The volume of advertising was phenomenal — 1,180 minutes carried during the matches and 236 minutes before and after, resulting in gross billings of Rs71.16 crore. On ESPN–Star it is believed that total sales (on both channels) was in the region of Rs45 crore. More importantly, DD's average audience size per match was 30.07 million given that DD1 has a reach of 60 million homes and each home has an average of 5.6 viewers, while ESPN–Star, with 20 million homes, delivered an average audience size per match of 12.14 million. What is pertinent here is that DD only telecast the India matches, the semifinals, and the final, while ESPN–Star brought viewers every single ball.

Doesn't that tell us something!

• SANDEEP BAMZAI

ONLINE EDUCATION

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When The Quantum Institute opened its doors – well, screens might be more appropriate a term – two years back, academicians feared that the move towards online education would result in a lowering of standards, real and perceived. Fears of the latter happening can now be laid at rest, with the first round of campus placements over. The institute offers the master's degree program from the Urbana-Champaign campus of the University of Illinois (UIUC), USA, which is regarded among the best among such courses in the world.

Of the seven graduating students from India, two have been snapped up by Big Five consulting firm KPMG for their global operations, with a starting salary of $65,000, equivalent to about Rs28 lakh per annum at the current exchange rate. Two more have been placed with a Goldman-Sachs-promoted Silicon Valley Internet start-up at the same salary level. This is said to be appreciably higher than what MCS degree holders from the IITs are getting, mainly because the course content is much closer to the leading-edge technologies of today.

For students at the Delhi campus of UIUC, the net cost of study is much lower than actually going to the US, since living costs are lower (the tuition fees are the same). With placement directly in international jobs at starting salaries at the same level as people educated in the US, this cost is more easily recovered.

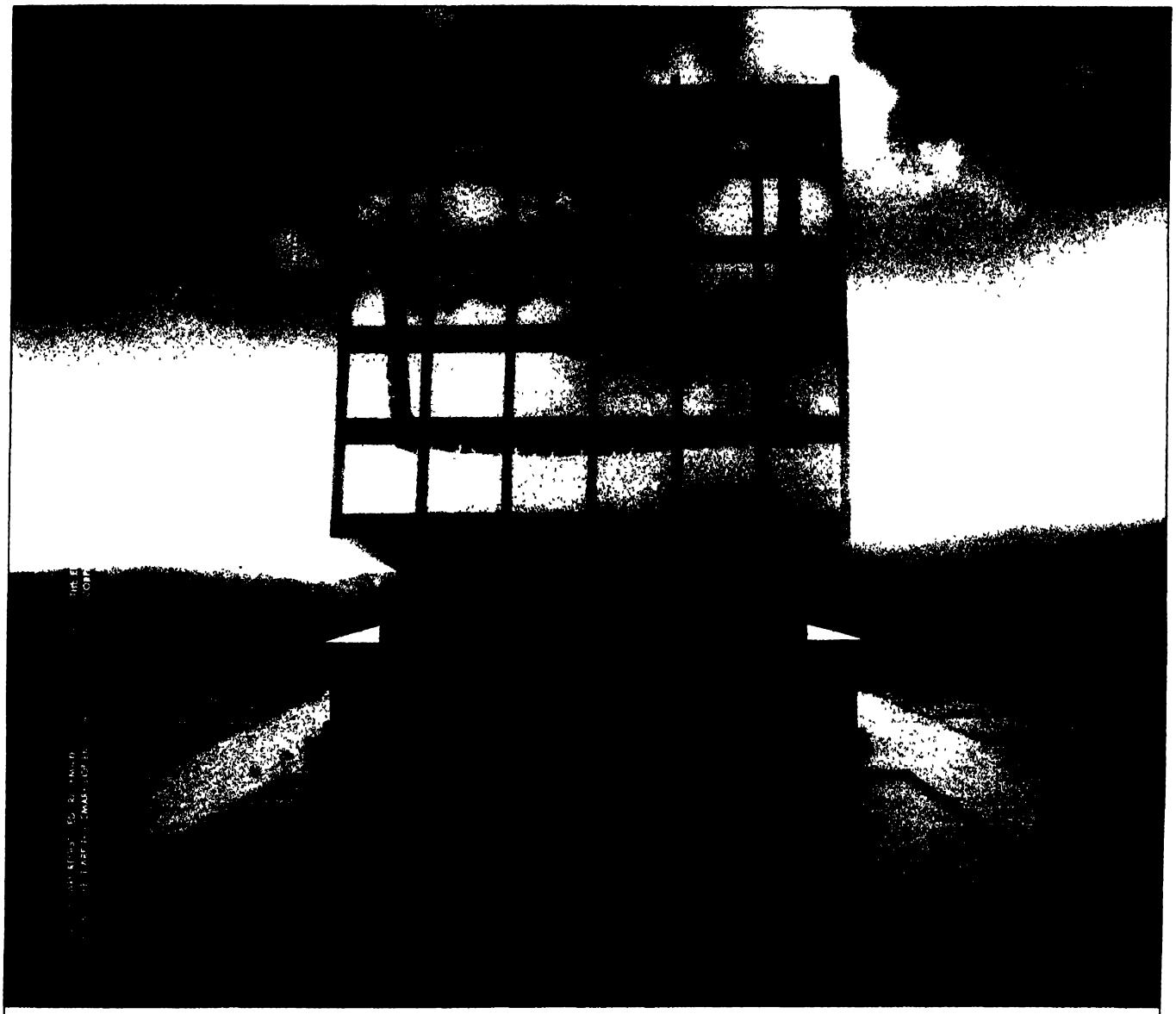


VIVAN

Dang says the advantage of the UIUC syllabus is its focus on self-learning

Unlike other Internet-downloadable university courses beginning to flood the Web, Quantum provides the equivalent of an actual extension campus, not a repackage of a standard course. It worked closely with UIUC to reformat some details of the course so that both sets of students (in India and in the US) would be treated on par. Examinations were held at precisely the same time, although lectures were streamed at more convenient hours of the day. Students in India have access to the same learning materials. However Anil K. Dang, who is chiefly responsible for setting up the institute and hopes to replicate the example in at least eight more locations in India within the next couple of years, says: "The chief difference between UIUC and Indian institutes is the focus on self-learning and initiative that the US system engenders." This helps students adjust to handling responsibilities once they are thrown into their work environment.

• VICKRAM CRISHNA



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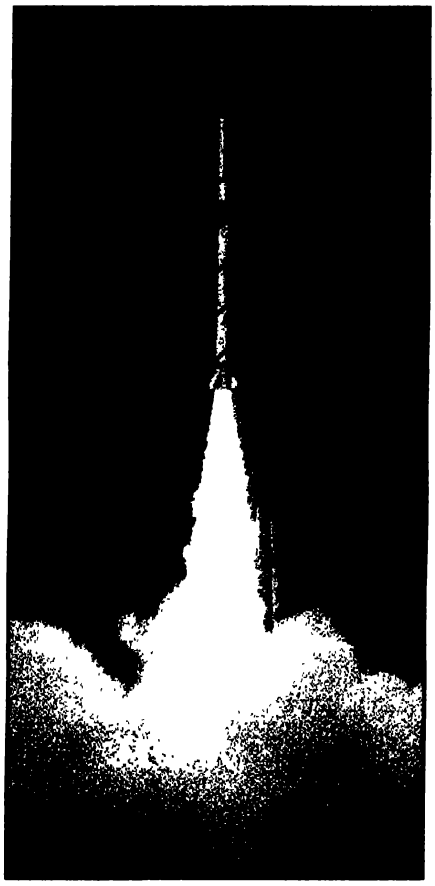
Nuclear games

Extending the dangerous episode of nuclear blasts a bit further for petty electoral gains may cost India dearly

With no provocation whatsoever and no perceived threat grave enough to justify this urgent need of the government to come out with this nuclear doctrine, it seems that the decision has been influenced by the greed to harvest the spill over effect of patriotism in the coming elections. Especially so, when the caretaker government is not supposed to come out with any major policy statement under the model code of conduct set by election commission, its release by a body with no statutory powers raises serious doubts.

The National Security Advisory Board (NSAB), a 27-member body has suddenly unveiled a draft paper on India's Nuclear Doctrine (IND). Released on 17 August by the National Security Adviser, Brijesh Mishra and head of NSAB, defence analyst K. Subrahmanyam, this document will acquire policy status subject to pending discussion and approval of the National Security Council (NSC) and a council of the cabinet ministers. As Mishra puts it, this was being made public in favour of greater transparency in decision making but when asked why the document does not elaborate the specific steps undertaken, he says it is for reasons of security.

A step necessitated by the security environment, the doctrine is not country specific. Aimed at achieving an element of strategic autonomy, Mishra explains the concept of an effective credible minimum deterrence by stressing on the policy of 'no first use' and the 'cardinal principle of civilian control' in the use of nuclear weapons. Subrahmanyam says that it is a consensus document despite individual members of the NSAB having different views on certain elements. NSAB not being a statutory body, the next government will perhaps reconstitute or may be even do away with the advisory body. Moreover, the document does not specify the time frame for installing the nuclear arsenal structures.



Nuclear powers require a nuclear doctrine

Outlining the broad principles for the development, deployment and employment of nuclear devices, the policy strategy is supposed to flow from this framework that would be prepared separately with regular reviews. This indicates that a separate body will look into the issues identified by this doctrine and given the vague presentation that does not even talk about threat perceptions, the implementation part becomes arbitrary. Underlining the so-called nuclear button, the control of nuclear weapons will reside with the prime minister or the designated successor not identified by the document. 'Effective credible minimum nuclear deterrence', not supported by crucial quantitative parameters such as an assessment of the threat perceptions and adequate retaliatory capacity bears no operational significance.

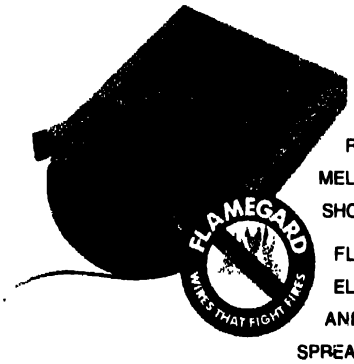
No doubt, nuclear powers require a nuclear doctrine and a nuclear strategy that talks about the threat perceptions. It is supposed to address questions like whether our nuclear adversaries are regional or global, when and where are the nuclear weapons to be deployed. But for the NSAB, it seems that these issues carry no meaning in formulating a nuclear doctrine. Says Dr G. Balachandran, an independent analyst: " effective deterrence capability in the Indian context points out to the fact that the existing capabilities in the nuclear field will not suffice to build such a nuclear deterrent capacity". Also, the draft does not refer to the estimated costs of the programme. It only goes on to say that 'nuclear forces will be effective, enduring, diverse, flexible and responsive based on a triad of aircraft, mobile land-based missiles and sea-based assets' without classifying whether sea-based assets would include nuclear capable submarines. Subrahmanyam says that the language of the doctrine allows it.

Not only does the doctrine refer to enhancing the survivability of the forces with a combination of multiple redundant systems, mobility, dispersion and deception, a survivable nuclear force itself has been defined as one that will be designed and deployed to ensure survival against first strike and to endure repetitive attrition attempts with adequate retaliatory capabilities for a punishing strike which would be unacceptable to the aggressor. Survivability, according to them, is a dynamic concept related to strategic environment, technological imperatives and the needs of national security and that the actual size, components, deployment and employment of nuclear forces will be decided in the light of these factors. It further states that any threat of use of nuclear weapons against India shall invoke measures (not specified) to counter the threat. Also that India will not resort to the use or threat of use of nuclear weapons against States which do not possess nuclear weapons is a

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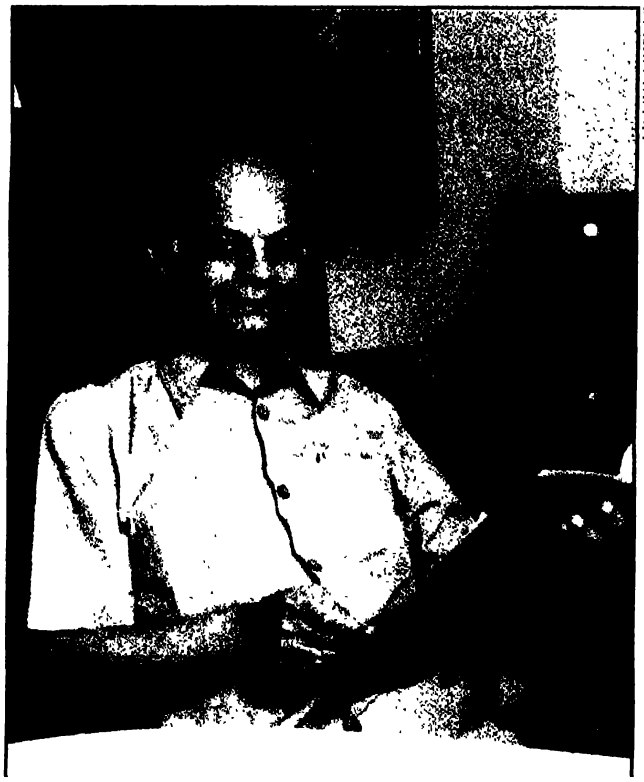
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redundant statement given the "no first use" and "retaliation only" policy already adopted by India.

One of most unacceptable statement made by Mishra, while releasing the document, is that the Kargil conflict and its resolution had vindicated India's nuclear deterrence policy. On the contrary, experts feel that after having achieved nuclear parity with India to a certain extent, an irresponsible country like Pakistan could venture into a conflict with India and India's superior conventional force was not any more sufficient to deter Pakistan from military adventurism. In this context the document says: "highly effective conventional military capabilities shall be maintained to raise the threshold of outbreak both of conventional military conflict as well as that of threat or use of nuclear weapons." Subrahmanyam agrees that it implies far more expenditure on conventional forces than the estimates released in certain quarters. Only about a year back, cut-down in the conventional military expenditure was justified on pretext of going nuclear. Strangely, the doctrine upholds a greater investment in conventional force structures to raise the threshold of conflict in complete *volte-face*.



RAMESH PATHANIA

Mishra stresses on the policy of 'no first use'

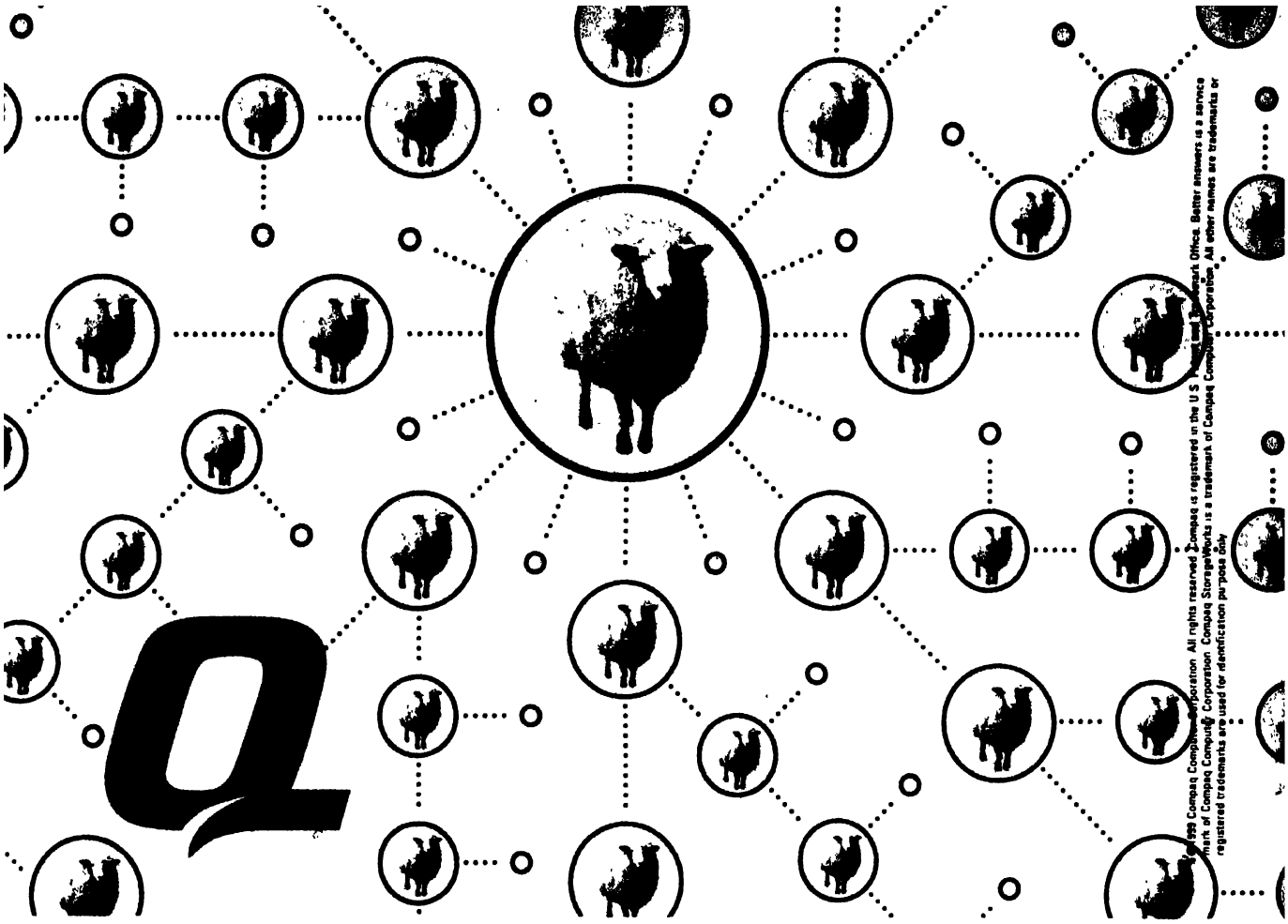
The document ignores the fact that security and safety for nuclear materials and nuclear weapons, during their manufacture, transportation and storage, have to be orders of magnitude more stringent than what is maintained for conventional forces. Even an agency like the Department of Atomic Energy (DAE), with years of experience with nuclear materials, does not have a grand track record for safety even in civilian nuclear installations. As Dr A. Gopalakrishnan, the former chairman of the Atomic Energy Regulatory Board (AERB), commenting on safety issues points out that in countries such as the US, a defence nuclear facilities board exists for independent external overseeing of all nuclear weapon activities from the viewpoint of safety. "During my tenure" Gopalakrishnan highlights "the fact that even the R&D programme of the nuclear submarine or the Advanced Technology Vehicle (ATV) project, had been kept outside the purview of the AERB".

As a matter of fact, the AERB has no independent authority to regulate civilian nuclear activities. As such, the Indian defence establishment or the DRDO are not experienced enough to handle nuclear activities. Experts feel that with no agency for defence nuclear activities under the ministry of defence, regulatory aspects of a nuclear weaponisation programme needs to be addressed first before building up an arsenal. It is pertinent to know that in India nuclear training is imparted only within the DAE system. And therefore, even for defence requirements, the personnel have to be pulled out from the DAE or a new defence nuclear establishment that would require an instituted recruitment and training programme on a long-term basis.

The document talks of disaster control and says 'India shall develop an appropriate disaster control system capable of handling the unique requirements of potential incidents involving nuclear weapons and materials'. It fails to point out that safety means prevention of inadvertent use and risks of accident therefrom or even accidental nuclear material dispersion from failed missile launches. One of the criteria of safety against accidental detonation used in the US is one point safety criterion. US conducted a series of hydro-tests of yields commensurate with such one-point detonation accidents to ensure safety. India having declared moratorium on further tests needs to explain how these tests would be undertaken.

It seems that political compulsions have forced the government to make the document public now, even though it had been submitted by the NSAB nearly a month ago. Government sources have been propelling the idea that with the articulation of a doctrine the world would be forced to recognise as a nuclear weapons state. Or may be the government feels that controversy arising out of the discussion of the doctrine by world nations would trigger serious thought provoking sessions in order to let India be recognised as a nuclear state. However, the timing of its release when the BJP led coalition is riding a Kargil euphoria cleverly crafted as an aspect of patriotism that can garner votes for them in the coming general elections raises a few questions about the credibility of IND. With Pokhran episode fading away, this may yet be another effort by the government to create a certain atmosphere that suits their political interests but whether NSAB should become a party to it is what needs to be probed. Especially so when the reaction of US and other Western countries point towards another round of sanctions that our ailing economy can ill afford.

◆ MANOJ NARULA



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BRIJ KHINDARIA

The author is an international columnist for Business India

Proaction for peace

Peace has come to be conceived of as something beyond just a state of no war. India must wage peace to defeat Pakistan's designs diplomatically

A new and golden opportunity, not seen for 50 years, has opened up for India in its relations with the US and Europe. In spite of their fears about Indian jingoism, leaders in G-7 capitals are looking upon India with new interest and respect because the Kargil conflict gave them undeniable proof of India's democracy and secularity as opposed to Pakistan's theocratic militarism.

This is a welcome change and an opportunity because the US and Europe have long seen India as a somewhat flaky weakling trying to steal into the backyard of the world's big boys by doing things they do not like. Those include acquiring nuclear weapons and opposing many aspects of world trade and financial liberalisation. The question now is whether India's policymakers will show flexibility in jettisoning some of their 40-year-old prejudices about the West and find new ways to build that respect into a platform from which to play a more fruitful role in regional and global diplomacy.

However unpalatable it may seem in Delhi, Kashmir ceased to be a bilateral issue after the fall of the Berlin Wall in 1989. Till that time global security was based on a balance of terror. Since the Gulf War of 1991, it has been based on a new and more universal conception of peace as being something that goes beyond just a state of no war. This new and positive peace is still being defined through trial and error, but the Cold War era of proxy wars is over. In this electronic age of integration of world markets, any war anywhere destabilises global prosperity. What matters more than weapons are economic and technological power. The utter necessity of renouncing war is not idealism but a recent discovery of international conflict resolution. The discovery is that, unlike in earlier wars, even such overwhelming victories as those achieved by US-led coalitions over Iraq and in Kosovo do not bring peace.

Renunciation of war as a path to peace does not mean that a country should allow itself to become a military weakling. Credible military deterrence is an essential ingredient of peacemaking because it persuades the enemy to come to the negotiating table. However, solutions involving the threat of war in the last resort are counterproductive. In the coming century there will be only two possible approaches to achieving peace — accumulating economic power and sitting around a negotiating table.

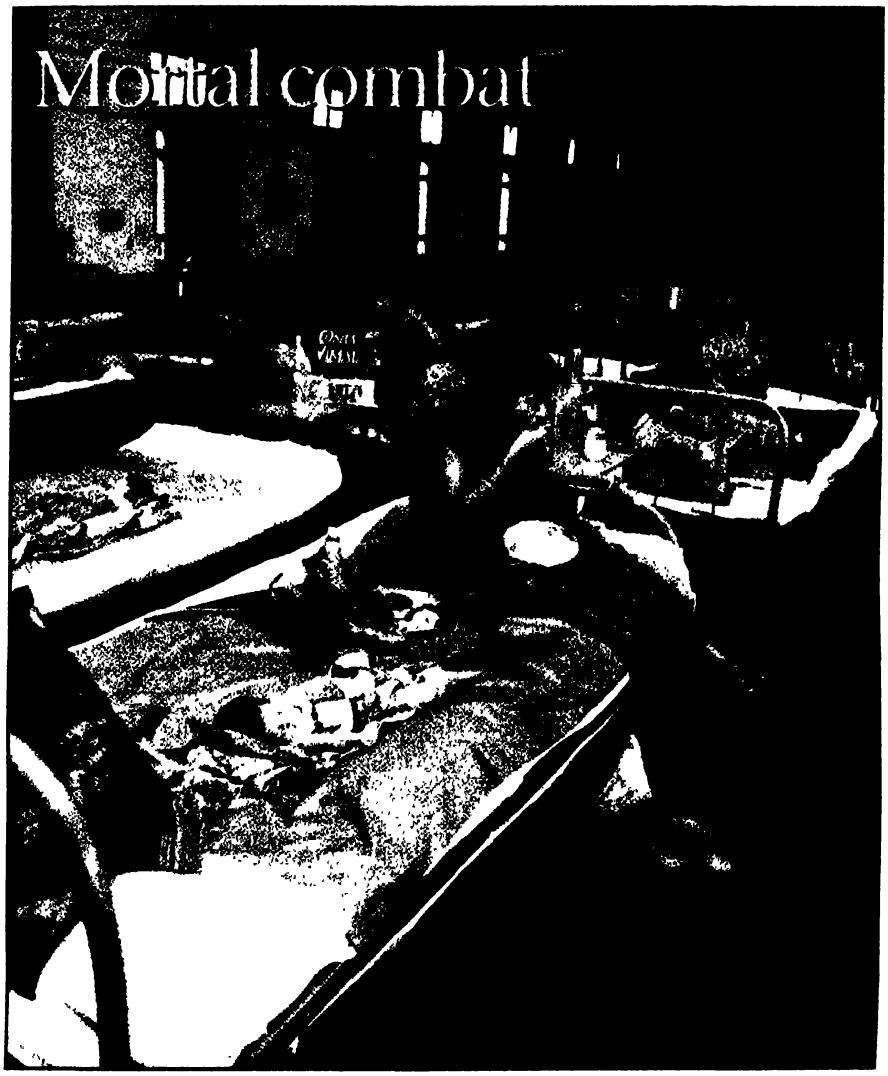
There are two broad paths we can take. The first is to co-operate more willingly with the US and Europe in their global security and economic concerns. Without that we cannot acquire the technology and money needed to modernise our defences and build up the necessary economic power. The second is to put much more emphasis on the soft components of national power in our relationships with Pakistan, Saudi Arabia, and the Islamic world.

The way the West won

The West defeated the Soviet Union by turning its people against communism through the simple expedient of bombarding them with information about life and values in the US and Europe. It also bankrupted the Soviet Union by forcing it to spend too much on defence. After just one decade of this treatment, people overcame their fears and poured out onto the streets to depose governments famed for their pitiless police, domestic spies, gulags, and insane asylums.

We have both these means at our disposal. We have never used them because of our obsession with deterrence and preventing interference by the UN or the US. It is time now to become proactive. Pakistan's people have lived under near totalitarian regimes for 50 years and have very limited access to information about India's secularity and democratic and economic vitality. They are oppressed by a theocratic state ideology that is obliged to keep them poor and ignorant to maintain its own hold on power. They cannot imagine what life in a secular state might mean for a Muslim.

If Pakistanis knew how ruthlessly their demagogic leaders have cheated them, they may refuse to commit national suicide in a war for a territory whose annexation will ruin Pakistan financially. That might lead to the emergence of a new government amenable to sincere peace negotiations. If other Islamic and Arab countries, especially Saudi Arabia, had a clearer picture of India they might discourage Pakistan from further adventures. We have a golden opportunity to use such proactive strategies because the world has now largely accepted the line of control as the border between India and Pakistan, allowing us to move forward to a new phase of peace-building. ♦



A new scepticism about the validity of Kerala's infant mortality rate may well be a storm in a teacup

For development economists and demographers, the south Indian state of Kerala offers a riddle which keeps them happily – and sometimes infuriatingly – engaged, much like schoolchildren handed a jigsaw puzzle by their distraught teacher to keep them out of harm's way. The only problem is that often some naughty child hides a piece or two. And that leaves the rest of the earnest gang groping in the dark.

This seems to be now happening with one of the most brandished indicators of Kerala's supposedly high level of social and human development amidst a paltry per capita income – the low infant mortality rate (IMR, defined as the number of infant deaths in a year divided by live births during the year multiplied by 1000; *see Table 1*).

No less a master than Nobel laureate economist Amartya Sen has lauded how Kerala's IMR fares better than China's: 17 and 16 per thousand live births respectively for boys and girls in 1991, compared with China's 28 and 33 respectively. "The average levels of literacy, life expectancy, infant mortality, etc, in India," notes Sen, "are enormously adverse compared with China, and yet in all these respects Kerala does significantly better than China."

More recently, another group of researchers led by demographer Anthony R. Measham and supported by the Royal Norwegian Ministry of Foreign Affairs, analysed data for the period 1975 to 1990 to assess how changes in income and other temporal factors determine the IMR and the total fertility rate (TFR). They concluded: "Kerala's success in having the lowest IMR and TFR in the country, levels comparable to some developed countries, is probably due largely to its universally literate population, better status of women, and more equitable distribution of health services – all of which have been due more to strong commitments to investments in the social sectors than to economic growth. This commitment has allowed Kerala's population to benefit from the rapid change globally in the means for improving health."

And the results gleam. Consider the recent indices published in the Population Foundation of India's *State of India's Population* – the human development index (HDI), the gender-related health index (GHI) and the reproductive health index (RHI). On all scores, Kerala comes out right at the top of the list of Indian states. In fact, latest official estimates place Kerala's IMR at 12.

In calculating these indices, social scientists accord weightage to the IMR, as well as related parameters like life expectancy, total fertility rate, teenage pregnancies and contraceptive protection rate. Most estimates of Kerala's IMR are based on data generated by the Sample Registration System (SRS) provided by the Registrar General of India, Ministry of Home Affairs. The SRS supplies annual statistical series on indicators of mortality and fertility. It is these numbers that social scientists have crunched to arrive at their deductions about Kerala's health status and the physical quality of life of its citizens.

But the estimates for IMR could actually be off the mark, claim demographers S. Irudaya Rajan, Associate Fellow at the Centre for Development Studies (CDS), Thiruvananthapuram and P. Mohanachandran of the Department of Demography, University of Kerala. In a recently published paper, they point to "a number of fluctuations and inconsistencies in the IMR estimates throughout the last 25 years".

Rajan says that in May 1998, Nibhon Debavalya, director, population division of the UN's ESCAP

How they die

Infant mortality rate (IMR), one-week mortality rate (OWM) and stillbirth rate (SBR) for India and major states, 1994

State	IMR			OWM			SBR		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
INDIA	74	80	52	34	36	24	9	7	15
Kerala	16	16	14	11	11	10	10	9	12
A.P.	65	69	52	38	40	31	10	9	14
Assam	78	78	76	36	35	47	10	9	20
Bihar	67	68	61	32	32	25	4	3	18
Gujarat	64	70	51	33	37	24	10	3	26
Haryana	70	70	68	32	33	26	12	13	11
Karnataka	67	73	50	33	38	21	15	11	24
M.P.	98	105	57	41	44	22	11	10	16
Maharashtra	55	68	38	28	33	20	13	13	12
Orissa	103	108	65	49	51	28	15	14	22
Punjab	53	59	36	18	21	9	14	13	16
Rajasthan	84	87	62	39	40	28	8	6	20
Tamil Nadu	59	64	48	34	35	30	11	11	12
U.P.	88	91	65	36	38	26	5	4	11
W. Bengal	62	64	52	28	30	18	14	13	21

Source: S Irudaya Rajan and P Mohanachandran, March 1999

(Economic and Social Commission for Asia and the Pacific) asked him: "Is the IMR really as low as 16? The decline in mortality between the period 1981-91 and 1991-96 seems unrealistic."

By subdividing the one-month IMR data into two components, viz, figures for 0-7 days mortality and 7-28 days mortality, Rajan and Mohanachandran discovered that out of every 14 children who died in Kerala within a year of birth, 10 died in the first week itself. "Thus," they conclude, "the infant mortality in Kerala is basically a one-week mortality, not a one-year mortality." They also note the inexplicably higher levels of the stillbirth rate, one-week mortality rate and perinatal mortality rate (number of stillbirths and deaths of infants under a week old during one year divided by the number of live births and stillbirths during the year multiplied by 1000).

"We have questioned the SRS-IMR estimate of 14 and in our opinion, the SRS underestimates the IMR," say Rajan and Mohanachandran. "Our estimates place the IMR for Kerala at 37." They also assert that different sources have different estimates of Kerala's IMR (*see Table 2*).

Who's correct?

Various estimates of Kerala's IMR

Source	Reference period	IMR
Registrar General of India	1981 Census	55
Registrar General of India	1991 Census	42
Irudaya Rajan & Mohanachandran	1991 Census	37
World Bank Fertility Survey (1980)	1970-75	59
	1975-80	46
Kerala Fertility Survey (1991)	1980-85	44
	1985-90	26
National Family Health Survey	1990-93	24
	1985-90	38

Source: S. Irudaya Rajan and P. Mohanachandran, March 1999

However, these conclusions have been seriously challenged by demographers and economists who took part in a seminar where Rajan and Mohanachandran presented their findings. According to demographer K. Navaneethan, also an associate fellow at CDS: "There is no scientific or analytical rigour in the paper to establish that SRS underestimates the IMR in Kerala. What are the limitations or drawbacks in the SRS sample design including sample size, data collection and methods? What is the sensitivity of the sample design or sample size on the IMR estimates?"

Navaneethan questions the basic methodology used by Rajan and Mohanachandran. There are two ways of estimating IMR, as he explains, the direct method and the indirect method. The Fertility Surveys and the SRS use the direct method. In both the 1981 and 1991 censuses questions were asked about the number of children ever born and the number of children surviving to all the ever married women. Using coefficients developed for this purpose, explains Navaneethan, it is possible to deduce the probability of children dying at different ages. The MORTPAK computer software developed by the UN uses these techniques to estimate infant and child mortality.

On the other hand, notes Navaneethan, the indirect method used by Rajan and Mohanachandran overestimates the true level of IMR due to the inherent assumptions in the method.

Rajan's contention of a paradox in Kerala's low IMR being combined with a high stillbirth rate and one-week mortality has also attracted vehement refutation. Navaneethan quotes similar differences for other countries like Thailand, Puerto Rico, Greece and Belarus.

But Rajan is still convinced that his "hunch", as he calls it, is right. "My hunch is also that in many of Kerala's hospitals, children who die within hours or even a day of birth are often misclassified as stillbirth," he continues, "because no hospital or doctor would want to lose the reputation of being a baby-friendly hospital."

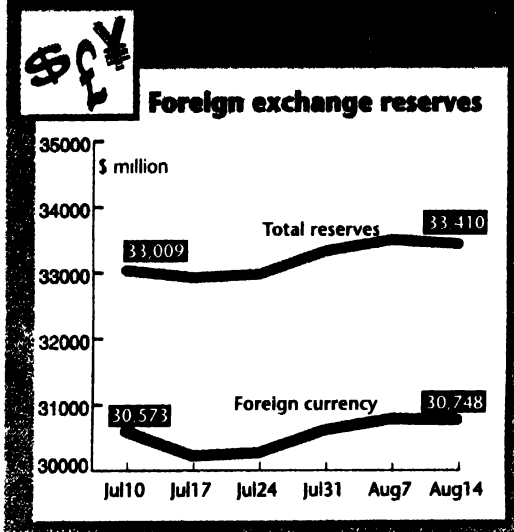
Rajan feels that one way out of the statistical jungle is to strengthen the civil registration system in Kerala. He points out that 95 per cent of births in Kerala occur in medical institutions and are thus automatically registered in the civil registers. Relying on these figures would bypass any sampling lacunae in the SRS. The flip side of the story, as his critics point out, is that not all deaths, particularly infant deaths, are registered in Kerala.

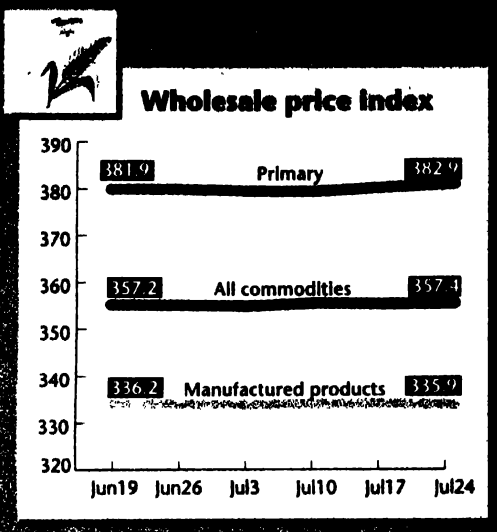
As these squabbles over Kerala's IMR continue, the paradox of India's "model" state lingers. Growth vs equity, redistribution vs accumulation, social progress vs industrial growth – which way to go? Perhaps the true worth of the Kerala Model is the employment opportunities it generates for several social scientists – and the odd journalist.

▸K G. KUMAR

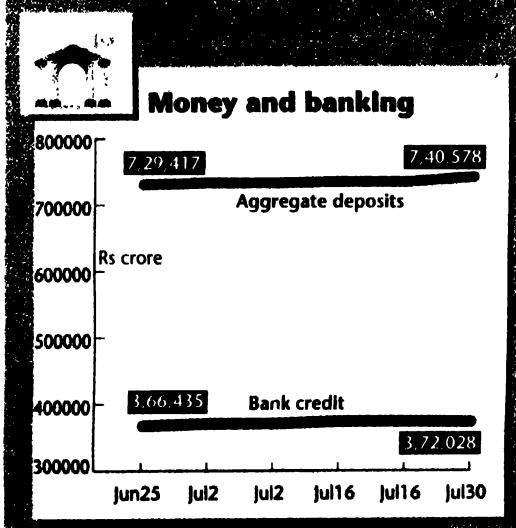
Turn for the better?

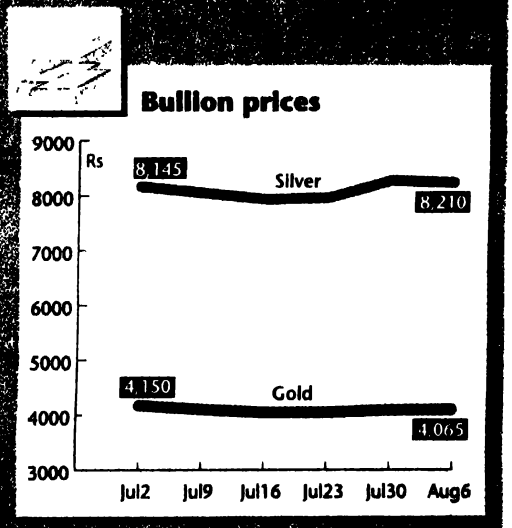
Foreign exchange reseves are rising steadily but not significantly





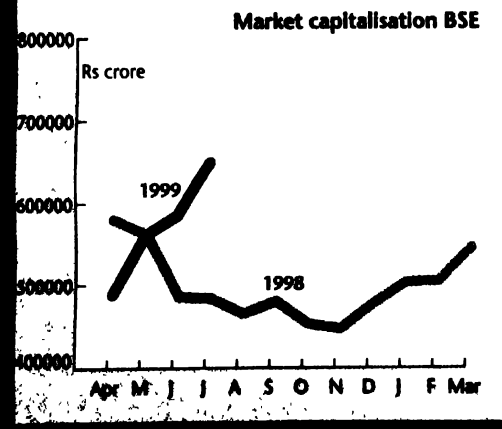
... bank credit is also seems to be moving in an upward direction after a long period of stagnation

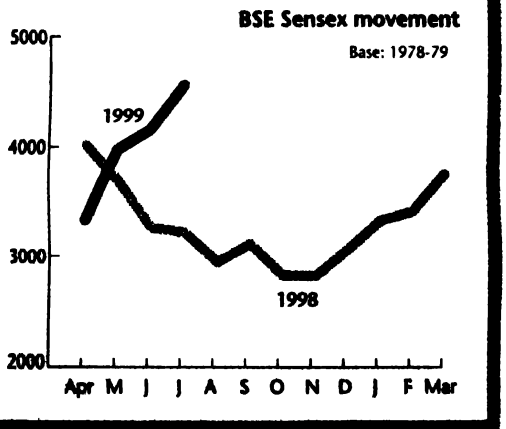




... as for the capital markets, the figure should speak volumes

Capital markets






BY PANJU GANGULI
..BUNDLE OF JOY?
BILLIONTH CHILD
MANIFESTO
THE KITE FLYING SEASON HERE AGAIN!
NEHRU-GANDHI DYNASTY
AMETHI
BELLARY
NEVERTHELESS, POLITICS IS TIGHT-ROPE WALKING..





FINANCE FOR NEW & OLD CARS

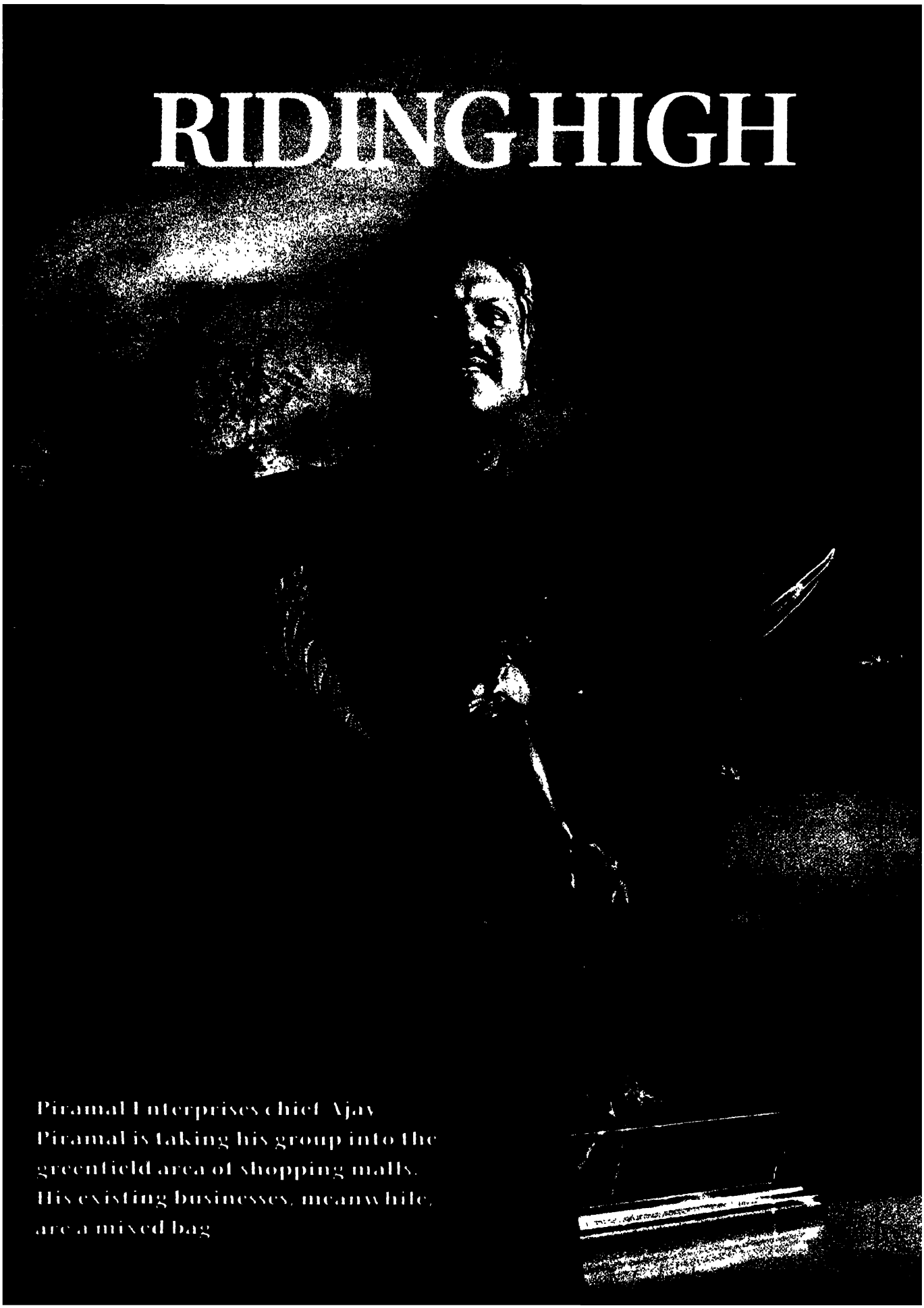
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RIDING HIGH



Piramal Enterprises chief Ajay Piramal is taking his group into the greenfield area of shopping malls. His existing businesses, meanwhile, are a mixed bag

Last month, Ajay Piramal added children's appetiser brand Mom, I'm Hungree to his stable. It's obviously given him a good appetite. Since then, he has taken over four brands from US pharma major Eli Lilly, flown down to Sri Lanka to finally seal the deal for the purchase of a glass manufacturer, and struck up a strategic alliance with Swiss multinational Siegfried Pharma for export to European markets. More such deals are in the pipeline. "I'm hungry," says Piramal. "I'm always hungry. There is so much more to do."

Not that there has been any dearth of activity. Over the past few years, Piramal has launched on a spree of strategic alliances and takeovers — of both companies and brands. Today, his alliances and joint ventures are with illustrious international majors such as Boots Healthcare International plc, Allergan Inc and Stryker Corp not to speak of homegrown outfits like Charak Pharma, the Sarabhai group and Shree Dhootapapeswar, a 125-year-old *ayurvedic* company. His major corporate scalps are Roche Products, Boehringer-Mannheim and Sumitra Pharma. And his brand buyouts include Lactocalamine and Burnol. "Taking over companies is Piramal's core competency," says an observer. An apt comment on a group that began life with the takeover of Morarjee Mills 64 years ago.

But, despite all the action, takeovers are probably the last thing on Piramal's mind right now. In a few days, he will be flagging off Crossroads, billed as India's first international class shopping mall, and the group's maiden greenfield venture of any significance. Some 500 people are working around the clock to get the show going by D-day. "Our obsession is to complete the project on time," says Jaydev Mody, who heads Piramal Holding Ltd (PHL), the company that is setting up Crossroads.

At a time when retailing is the flavour of the month and everybody and his uncle is rushing into the business, Crossroads stands out because of the sheer magnitude of the project. Spread out over 1,50,000 sq ft in the heart of South Mumbai at Haji Ali, it will, says Piramal, be "more than just shopping; it will be a destination landmark for Mumbai".

Crossroads will boast the largest McDonald's outlet in Mumbai. Its Food Court will offer six kinds of cuisine — from standard south Indian fare to exotic Lebanese dishes. There will be a separate Italian restaurant styled Biscotti and a sports café called Café Ole. Says Mody: "This is the only place in the city where you can order a *masala dosa* and Chinese food and sit side-by-side and eat."

Food is really the aperitif. There's a recreation arcade spread over 20,000 sq ft. Called Jammin', it is, says Mody, designed for "kids of all ages" though he really expects the appeal to be in the 7-21 age group. Priced at Rs20-60 per go, the menu includes bumper cars, bowling, and simulation and virtual reality games.

The heart of Crossroads is, of course, the shopping. The Piramals have their own show called Piramyd, spread over various floors, to offer clothing, garments, toys, home furnishings, jewellery, cosmetics and what have you. Apart from this, there will be a large number of other outlets set up by leading names such as Pantaloon, BPL, Shyam Ahuja, Lacoste, Hallmark, L'Oreal, Planet Kids, Adidas, Reebok.... The list goes on. "There will be more than 200 brands available here," says Mody. "Fabulous," says business historian Gita Piramal, who along with her husband Dipil split from the Ajay branch of the family a few years ago.

There are other aspects of Crossroads that Mody takes great pride in: a unique rooftop parking lot, Asia's largest retractable roof (outside Japan), a video wall... "We have the best," says he. "The roof is from Australia, the car lifts are from Japan, the lighting design is from Sweden." Even the chef at Biscotti is from Italy.

The Y2K target

Group Turnover	(Rs crore)
Nicholas & pharma subsidiaries	800
Other subsidiaries	400
Textiles	450
Engineering	100
Others	50
Total group turnover	**1,800**

The figures are internal projections



Gupta sees value in brands

Setting records

All these superlatives read like a sumo wrestler's wardrobe: everything is biggest, largest, best. Given the nascent state of the organised sector retail industry in India, that may well be true at the moment. But it brings attendant problems.

For starters, it is difficult to get a fix on the prospects of the business and the return on investment. Understandably, both Piramal and Mody are wary about talking numbers. On investment in the project, for instance. Piramal says it is difficult to give exact figures as the land came courtesy the takeover of Roche (PHL is actually the shell left after Roche's pharma business was spun off to Nicholas Piramal India Ltd). Besides, the individual retailers who have set up shop are also spending big bucks on their own outlets. The only estimate available is that it would today take Rs300 crore plus to set up a similar establishment

at a similar site from scratch.

Mody is a little more forthcoming when it comes to traffic estimates. He is looking at 13,000-15,000 visitors on weekdays with the figure going up to 25,000-28,000 on weekends and holidays. McDonald's alone is expected to cater to 6,000-7,000 people daily. "It is difficult to make estimates based on the experience of other countries," he says. "Singapore has 70-80 such malls. We can't extrapolate from their figures."

Visitors, however, do not automatically translate into business. Crossroads is certain to attract rubbernecks from suburbia. But will their oohs and aahs when they see the frills and features convert to ouch when faced with the price tags? Will Marathe from Matunga and Sandra from Bandra splurge with the same abandon as the richie-rich matron from midtown Mumbai?

Research conducted by an international agency for another retail aspirant indicates that any buying decision at a mall of this sort will be coloured by the impression that prices have been significantly marked up to pay for the ambience. It doesn't help too that most of the items are big ticket ones for their category anyway. But Mody is clear about his target: "We are aiming at a south Mumbai audience." And he thinks the numbers add up.

So what are the takings going to be like? Here again, the proof of the pudding will have to be left to the eating. But total sales of Rs1 crore a day seems a minimum figure. This is not what NHL will be earning. It gets a fee from the retail outlets (in some cases there is a percentage of turnover too). Its other income is from parking fees, promotions and launches, and signages. Jammin', Piramyd and Biscotti are independent Piramal group owned companies that PHL treats like any other user.

There is a reason for this structure. PHL is basically in the mall management business. The three other companies have more specific functions and could well lend their expertise to projects independently. Jammin', for instance, is already involved in another entertainment centre which has nothing to do with the Piramals or Crossroads. PHL itself now has insignificant public holding with the Piramals having bought up most of the equity through a public offer and delisted the company.

Expansion plans

Even before the first mall is off the starter's block, Crossroads is thinking expansion. Mody explains that some land across the road from the current Crossroads site has already been acquired to build an annexe. More sites in Mumbai are being identified ("It could be Bandra, it could be Lokhandwala; the three most important things in the mall business are location, location and location"). And it will be then on to the other metros. "We intend to repeat the Crossroads format in other places," says Mody. "We have the expertise now."

There have been questions about this expertise, however. The Piramals have experience in textiles, pharmaceuticals and glass. Observers have looked askance at this apparently totally-unrelated diversification into



Mody is serving an extensive fare

mall management. "That's what people said when we went into pharma," counters Piramal.

But the mall management business is claimed to be not as unrelated as it seems on the surface. The Piramals have been in property development and management for several years now. Among projects handled are a residential building in Juhu and a hospital project in Lower Parel, both suburbs of Mumbai. These were in-house projects and the core team for Crossroads was drawn from this expertise.

"Of course, the format has changed," says Mody. But, he adds, over the three-four years they have been on the job, PHL has got it all taped. He says that he will answer the sceptics who talk about his own and the Piramal group's inexperience through performance. On their side they have the backing of foreign consultants and the training of several staff members have gone through abroad. "Everyone wants to talk about retail, everyone wants to talk about malls, but it is not an easy thing to do. Ours will be a difficult act to follow."

It will be a difficult act to evaluate too, particularly in the short term. As mentioned earlier, crowds don't necessarily mean revenues and PHL and the other companies involved don't have to publish their results for public scrutiny. Mahesh Gupta, chief financial officer (CFO) of Piramal Enterprises Ltd, the umbrella company for the Ajay Piramal group, admits that retail won't add significantly to group turnover for some time. He projects the total group turnover for 1999-2000 at Rs1,800 crore, with pharma hogging the lion's share.

Pharma has been hogging the limelight too. Scarcely a month goes by without a new joint venture or strategic alliance being announced. "This is a plan we had charted out shortly after taking over Nicholas in 1988," says C.M. Hattangdi, who was inducted from a multinational drug major to head Nicholas after the takeover and continues to be on the board of the company today.

"We didn't have basic research," says CFO Gupta, who has been with the organisation for nearly two decades now. "So we had to take a different route." Hattangdi explains that the first thing they did was to set up world-class manufacturing facilities. The second was to set up an extensive field force and distribution system. After that, it was just a matter of waiting for the suitors to come a-wooing.



Pinto is looking at exports

Stream of JVs

"Companies like Roche came to us on their own," says Nicholas Piramal India Ltd (NPIL) CEO Francis J. Pinto. "We didn't have to go to them." (Roche, it must be remembered however, was desperate for an exit option and was approaching everybody remotely interested in taking over the company.) Since then, there has been a steady stream. Today, there are OTC products distribution JVs such as Reckitt Piramal (hawking brands like Dettol, Saridon, Burnol, Lactocalamine) and Boots Piramal (Strepsils, Sweetex, Icy). There are ayurvedic JVs — Solumiks Piramal (with Shree Dhootapapeswar) and Charak Piramal (which will hawk *gulkand, chyawanprash*, honey and, of course, Mom, I'm Hungree). There are the niche JVs — Allergan India (eyecare) and Scholl Piramal (footcare). And there are more; when you start talking about the strategic alliances too, even company officials find it difficult to give a comprehensive list.

Pinto explains that such takeovers, alliances and joint ventures gave NPIL access to technology and products to keep it going until it could build up its own research base. "That was Nicholas' role in the first decade," explains he.

It was a role very different from

high-flying pharma majors like Ranbaxy, and the stockmarkets have not been particularly enthused. Though NPIL (Sales Rs441.78 crore; PAT Rs45.34 crore) has been a little more active over the past couple of weeks, it is still quoting at a price/earnings of 16 against 50 for Ranbaxy and 45 for Dr Reddy's. "Tie-ups everywhere, multiple collaborations. There has been no innovation. The company has just been playing it safe," says Raamdeo Agrawal of Motilal Oswal Securities Ltd.

Others are prone to be even more critical. "You can't get into bed with just about everybody at the same time," says a pharma sector analyst. "Have you ever heard of a harmonious harem?" According to him, the two risk factors are, first, that the joint venture partners will walk out when they reach a critical mass and, second, conflicts will arise when two JVs have similar products and plans.



Urvi Piramal says restrictions are crippling Morarjee

The history of JVs in India with foreign partners has not been particularly happy. The Tatas, traditional husbands of convenience, have seen several allies (Pepsi, IBM, Mercedes, Timex...) suing for divorce once they have established themselves in the country. What's protecting the Piramals from a similar fate?

Pinto provides one answer. "What kind of after-care programme did the Tatas have?" he asks. "We have an algorithm for successful strategic alliances." Piramal elaborates that, the group's "after-care" apart, there are certain basic features of the Indian drug industry that make such divorces unlikely. Drugs in India are one-tenth or even one-twentieth their international prices and the situation is unlikely to change soon. Under the circumstances, it makes no sense for a multinational to devote resources to building up a manufacturing base and a distribution network. The stockmarkets, adds Pinto, have not really understood NPIL's strategy.

That strategy, however, may be changing. While the focus on partnerships will continue, research and foreign markets have also been added to the agenda. "We are now talking about an international thrust fuelled by research," says Pinto. But that's easier said than done.

A small beginning has been made in exports. Global Bulk Drugs (a NPIL subsidiary made up largely of the erstwhile Sumitra Pharma) is tying up with a US partner to tap the export market in speciality chemicals. Laporte Piramal is setting up a 100 per cent export oriented unit in Hyderabad. The worldwide marketing will be handled by a JV with Cultor of the US. These two projects should contribute Rs100 crore annually in exports. The strategic alliance with Swiss multinational Siegfried Pharma is designed to leverage the latter's skills in the European markets though this will take some time to hit the big league.

Research thrust

But the cutting edge in exports will come only when the research underpinnings are in place. And a good beginning has been made with the acquisition of the basic research unit of Hoechst Marion Roussel, which has since been renamed as the Quest Institute of Life Sciences. "The centre has 148 international patents to its credit," says chief medical officer Dr Swati Piramal.

She says that the focus is now on business-driven R&D, which means not just patented knowledge but getting a commercial product to the market. "Our platform is natural products (read *ayurveda*)," she explains. "This could either mean developing a new molecule or using, say, a herb as it is."

Swati Piramal thinks there is a great future in ayurveda. "Auryveda companies have never grown because there was no emphasis on quality. We are going to add science to ayurveda." There's competition there; companies like Dabur are doing it too.

Swati Piramal's other initiative is to set up a countrywide chain of pathology labs. Being in charge of the group's IT thrust, she's been responsible for wiring up the various offices. With an intranet and VSAT links in place, this can be leveraged for the lab network. Here too the JV bug has struck: a 50:50 venture has been set up with Calcutta-based pathology lab Dr Tribedi & Roy. "I have a dream that there will be 100 pathologists across the country working together," says Swati Piramal. "One day, my dream will come true."

While Swati Piramal is having a dream, it's probably been more of a nightmare for Pramod K. Gothi. The



Swati Piramal is developing "natural" products

executive director and CEO of Morarjee Mills has seen the company go through a couple of torrid years, perhaps one of the toughest periods in its 128-year-old history. Income from operations in the year ended 30 June 1998 (the latest audited figures available) has declined to Rs334.6 crore from Rs347.9 crore the previous year. Losses have grown from Rs2.09 crore to Rs5.88 crore. (In 1996, the company had made a profit of Rs9.78 crore.) For the nine-month period ended 31 March 1999, income is marginally down while the losses have mounted to Rs8.91 crore (Rs6.40 crore). Morarjee is clearly more a millstone than mill.

"If you want an honest answer about our prospects, I'd say it's bad," admits Gothi. "But if you look at the industry scenario, we are much better off than competition."

The textile industry has been living a threadbare existence ever since the Datta Samant inspired strike of the 1980s (which, technically, still continues). But Morarjee was one of the few mills which managed to keep its head above the waters. It's not about to go under, but it's surely getting a severe lucking.

Gothi lists the various problems facing the industry. Mumbai mills, he says, have to contend with ever-increasing costs, while they cannot raise prices. "This is an industry with low entry barriers," says he. "The unorganised sector does not pay for power, water or octroi. It has much lower labour costs. And the buyer of the eventual product is not discerning as regards quality."

Litany of woes

Recent times have compounded woes. The government has added restrictions on development of mill land — a goldmine for the beleaguered companies. This has crippled modernisation plans. And the Southeast Asian crisis, resulting in a sharp drop in international prices, has reduced most Indian mills to basket cases. "It's been a very difficult time," says Morarjee vice-chairperson Urvi Piramal.

Ajay Piramal says an exit from Morarjee is not an option. There is the burden of history, of course; Morarjee is the fourth company to be listed on the Bombay Stock Exchange and the oldest one still in existence. Besides, quips Piramal, who's going to buy it.

Jokes apart, he still sees a future in textiles, though the strategy has to be different. Explains Gothi: "We have to get into products where the entry barriers are high." A start has been made through the now familiar Piramal route — JVs. A 50:50 venture has been started with Manifattura di Valle Brembana of Italy to make high-quality shirting fabrics at a new unit in Nagpur. "Shirts branded Morarjee Brembana are doing very well in markets such as Japan," says Urvi Piramal.

Gothi feels that moving up the value chain will give Morarjee the necessary edge. But industry veterans are quite clear that even this will not help Mumbai mills too much. If a product is moving in the market, what's to stop a rival from setting up similar facilities outside Mumbai where the input costs (particularly wages) are not as high? Most millowners today are hanging on in the hope of cashing in on their real estate holdings. Companies like Morarjee will not close shop, but the reading is that they will have an increasingly limited presence in the city. Understandably, JVs like Morarjee Brembana are located elsewhere.

That's not true of another 50:50 JV with Castiglioni of Italy which is modernising the Mumbai mill to make a range of home furnishings. The Casabella range — which has roped in leading Indian fashion designers — will be making a splash at Crossroads.

A third JV with Legler Industria Tessile, again of Italy, was set up in Nagpur to go into denim, after Mckinsey recommendations that this was the big market of the future. Sanity and market sense prevailed after civil work had commenced and the denim project was abandoned. Given the dire straits that denim major Arvind Mills is in today, Morarjee Legler was lucky to avoid becoming a basket case. Today, it is looking at other casual wear options.

How does Gothi rate this experience with Mckinsey. "I have several friends there," he counters diplomatically. Urvi Piramal says that the Mckinsey stamp helped when negotiating with potential foreign partners. "Mckinsey opens doors," she says. The doorman *avatar* may not sit well with



Gothi is moving into top-of-the-line products

the Mckinsey brass, but it should be some consolation that when Crossroads was being set up the consultants were roped in again. With even the chef imported from Italy, more doors needed opening.

Mckinsey notwithstanding, Gothi says he now has his act in place. Operations at Morarjee are being downsized and the stress is on quality, not quantity. "We were cooking a different dish earlier," he says. "Now I am making a *biryani*." Adds he, proudly: "I have now finished cooking my *biryani*."

Cooking our goose not *biryani*, would be the stockmarket reaction. "Morarjee is a wealth destroyer," says Agrawal of Motilal Oswal who has studied the subject extensively. The figures say it all. Morarjee, which had a high of Rs330 a few years back, made a right issue in September 1992 at a Rs125 premium and a public issue in December 1994 at a Rs250 premium. Today, the stock is quoting at a marginally above par Rs11. An investor in 1994 would have seen more than 95 per cent of his capital wiped out.

No fallout on NPIL

Marketmen say this has affected the NPIL scrip too. But Ajay Piramal counters that while this have may been true a couple of years ago it is not so now. "The market has realised that Morarjee is not a management failure," he says. Until the government gets its policies on mill land deployment in place, the horizon for Mumbai's textile companies will remain blurred. "Politics is going to kill the game," says Gothi. Adds Urvi Piramal, reflecting on the manifold restrictions: "We can't even set up a bathroom on the premises."

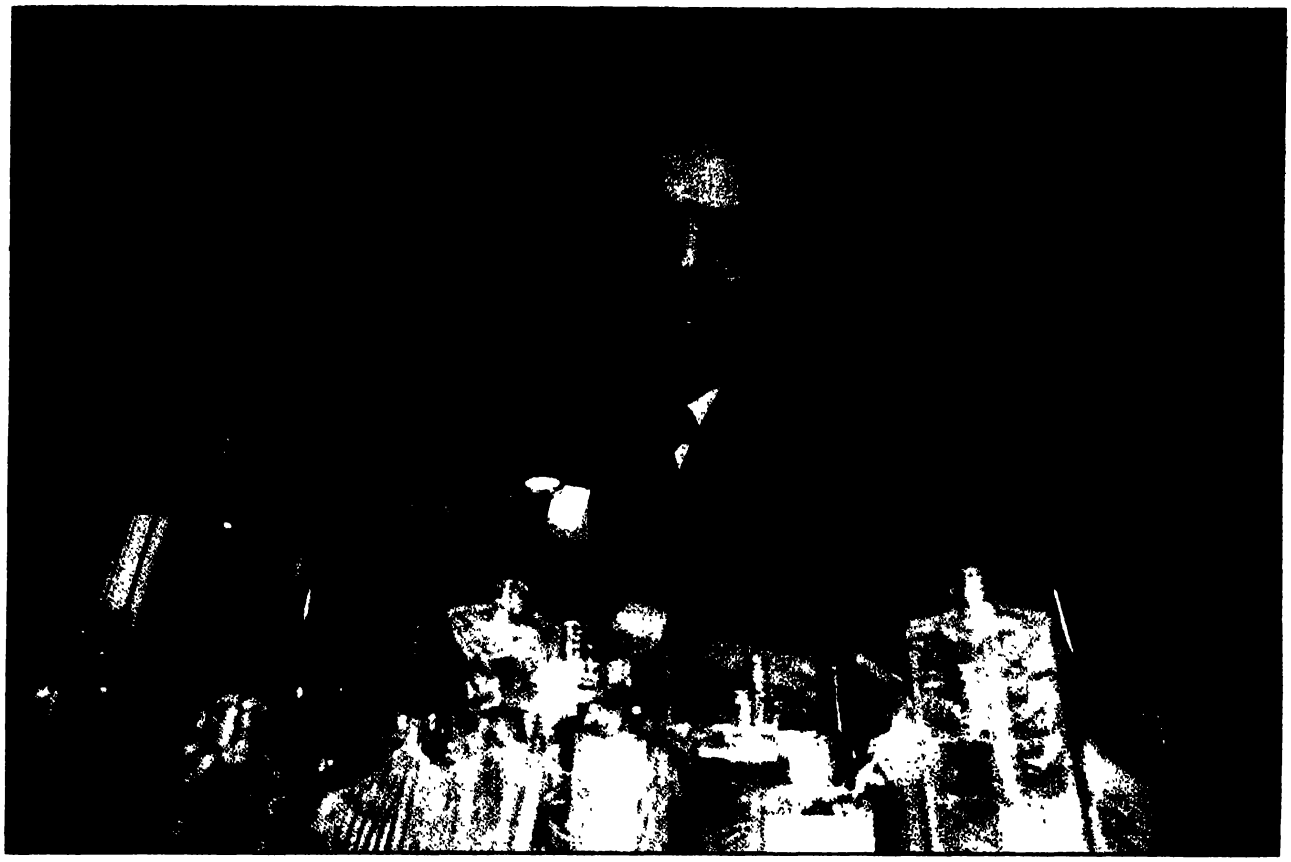
Bathrooms were a problem at another of the group's ventures too. But it allowed a much easier solution. Urvi Piramal reminisces that when Gujarat Glass was acquired in 1984, it really was a rustic place. Visitors from Mumbai had to use the conveniences at an Ankleshwar hotel before proceeding to the plant site. (For those interested, Crossroads is starting with 31 conveniences from Day One.)

Gujarat Glass has come a long way since then. "We are the fastest growing company in the group," says managing director Vijay Shah. For the period ended 31 March 1999, the company had a turnover of Rs185.67 crore. (Accounting comparisons with earlier periods are not possible as the flacconnage division of NPIL was transferred to Gujarat Glass with effect from 1 April 1998.) Shah says that there was a 65 per cent growth last year and he expects to maintain a compounded annual growth rate of 35 per cent. "It will be much more if takeovers are included," he says.

The takeover trail has already been hit. The first trophy is Ceylon Glass in Sri Lanka. Some 39 per cent has been acquired and an open offer has been made for the remaining shareholding. Depending on the response, the takeover could end up costing Rs45-50 crore.

Gujarat Glass is leading the way down a path the Piramals are sure to follow in some of their other areas of operation: Ceylon Glass is the first major takeover of a foreign company by the group. Shah is today eyeing a few more targets in the Southeast Asian region. His aim is to be the dominant player in the entire area (including Australia). "We are looking at a turnover of Rs500 crore in two-three years," he says. At that point of time, the company is likely to seek listing on the stock exchanges.

Takeovers at home are also a possibility. This is a fragmented industry with more than 14 players. "There will be only three left a few years down the line," predicts Shah. But the consolidation may be some way away. "Today



Shah is setting growth records

the valuations (of potential targets) don't look realistic," he adds.

"We have always believed that an acquisition is right only at the right price," says CFO Gupta, explaining the philosophy of the group as a whole. While he does not totally rule out acquisition of companies, the stress is more on brands. "Today, there is more value in brands," he says.

Seeking value outside is going hand-in-hand with creating a value system in Piramal Enterprises itself. "We have moved from a family-run company to a professionally-run business," says Ajay Piramal. "We have to now become world-class."

"The concept of the next millennium is the concept of world class," says group president (corporate development) Leonard D'Costa. He doesn't see a dichotomy in Piramal's statement of having moved away from being family run and the fact that there are so many family members still at the top (Mody of Crossroads also happens to be Urvi Piramal's brother). "What matters is that decisions are made from a professional system and there is no interference," he explains. And Urvi Piramal adds that she, for one, is no longer looking after day-to-day affairs.

"The two major areas that are going to keep us competitive are people and information technology," adds D'Costa. He is now trying to leverage these assets and build up knowledge management centres. An elaborate structure of knowledge committees and human resources forums is in place. The theoretical underpinnings already exist. "We have now to ensure that people walk the talk," adds D'Costa.

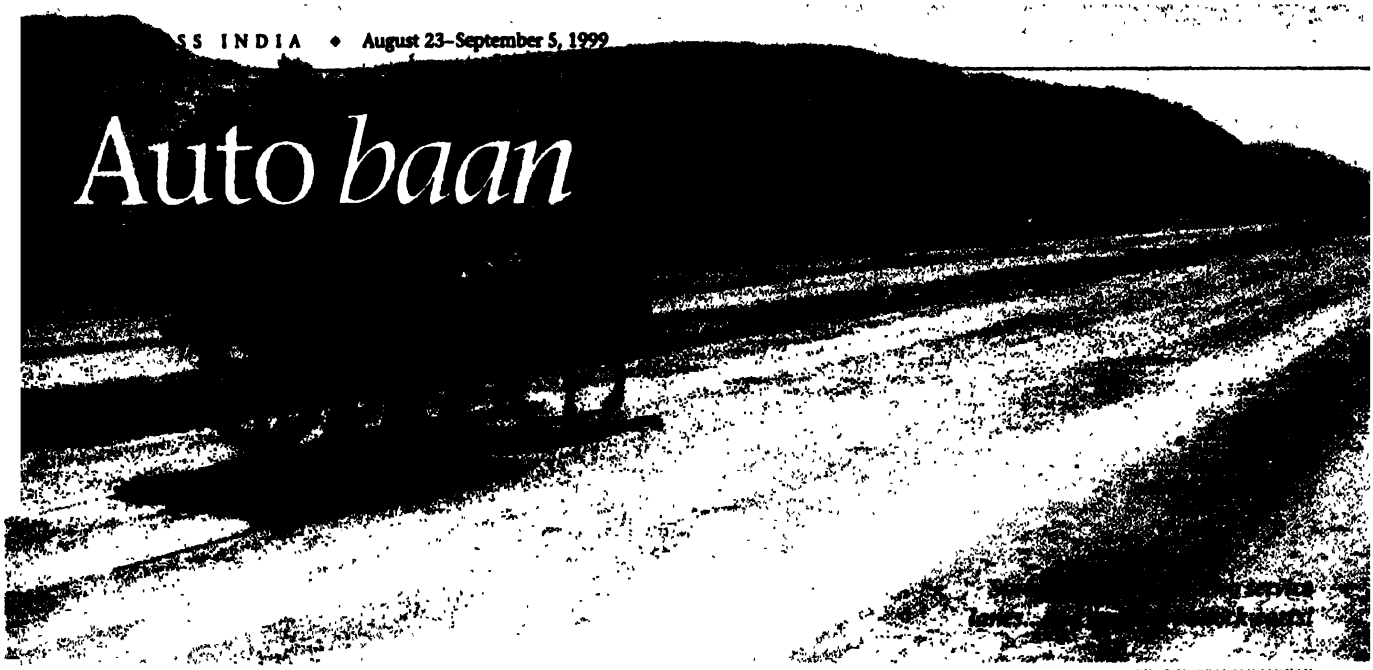
One doesn't know about the walking bit, but the talk has clearly become institutionalised. Urvi Piramal, who is focusing on training and development these days, talks about becoming the most admired group for its People, Products, Processes, Partnerships and Performance. At Crossroads, the chant is Change, Choice, Convenience, Competitive Costs and Customer Service.

Such alliterative *mantras* are necessary before their inherent message becomes internalised in the corporate culture. As Piramal Enterprises steps out into a new world, it is vital that it refurbishes this culture. It is also the opportunity for Ajay Piramal himself to change the perception in some quarters that he has just been lucky: Nicholas Aspro and Roche fell in his lap; the JVs are just unimaginatively applying the same formula; even the mall is because he didn't know what else to do with the Roche real estate. "Ajay Piramal has yet to show any strategic vision," says a critic.

In this sense, therefore, he is at the crossroads. At Crossroads — the brick and mortar one — there is no evidence of such doubts. Piramal has been clearly rejuvenated by the fresh challenge. You may not find him driving bumper cars at Jammin' too often. But, make no mistake, he's tried them out. You need to be young at heart to make the successful transition from millman to mallman.

PARTHASARATHI SWAMI

Auto *baan*



PHOTOS: PRAKASH JADHAV

The country's first expressway shoots straight as a spear between Mumbai and Pune to halve the travelling time and create a series of other records, including being one of the few government infrastructure projects being completed before schedule and below budget

Ninety-four kilometres. Six lanes. Under one hour. Twenty-seven months from first tender notice to first drive-through. Cost: Rs1,600 crore, including escalation and interest. These are only a few of the figures involved in the construction of the first intercity expressway, a project on which ride the reputations of a do-or-die minister and a public sector corporation he set up.

And this is only the beginning, says Nitin Gadkari, 42-year-old Bharatiya Janata Party minister for public works in Maharashtra's outgoing BJP–Shiv Sena government (*see box: We've passed the test*). If all goes well, he hopes not only that the expressway will be completed at a cost of Rs1,200 crore, but also that the Maharashtra State Road Development Corporation (MSRDC) will go on to build similar expressways linking the state capital to Nashik and on to Aurangabad and Nagpur, Sawantwadi on the way to Goa, and Talasari *en route* to Ahmedabad — all through private financing. Slated to come up within two years is a trans-creek freeway between Worli and Bandra on a cable-stayed, single-pillar bridge with a span of 250 metres on both sides — a world first of its type. The corporation, of which Gadkari is chairman, is already well on the way to completing most of the 50-odd flyovers to ease congestion within Mumbai. And, by March 2000, it hopes to have executed projects worth a staggering Rs25,000 crore.

The expressway story began in 1990, when the Maharashtra government asked Rail India Technical and Economic Services (RITES) and Scott Wilson Kirkpatrick of the UK to study the feasibility of a build-operate-transfer (BOT), toll-based system. After RITES submitted its report in 1994, the government invited private bids. The only tender was from the Reliance group, which came up with a forecast of Rs3,600 crore and five years. A shocked Gadkari promptly decided to set up a separate corporation, and entrust it with this and other road works in the state estimated to cost Rs25,000 crore at 1995 prices.

MSRDC, headed by former City and Industrial Development Corporation of Maharashtra (Cidco) managing director R.C. Sinha, was entrusted with the work. Sinha's special competence as a fundraiser was proved by the Rs1,200 crore he collected when MSRDC went to the market in January 1998 to raise just Rs500 crore. "Reliance had calculated interest at 20 per cent for five years; I borrowed the money at 13 per cent for two years," he explains. "The strength of the project gave the different bondholders the confidence that this would happen." Sinha does not agree that MSRDC's owes its very existence to the private-sector giant. "But our initial prosperity is definitely thanks to them," he admits.

But though MSRDC stepped in because the private sector was found wanting, it did not have the wherewithal to do everything itself. So it appointed technical consultants for reach of the four sections – 13.21 km from Kon to Chowk, 16.63 km to Adoshi, 23 km from Kusgaon to Ozarde, and 16.15 km to Dehu Road – as well as for two 'packages' each for the 9.75km Panvel bypass and the 15.41km ghat section excluding the tunnels.

Over the next year and a half till December 1998 it invited, received, and accepted tenders from contractors for the various sections. "The consultants carry out the surveys and provide the drawing to the contractors," explains B.R. Kulkarni, chief project manager of Sir Owen Williams Investment Ltd (SOWIL), consulting engineers for the Ozarde–Dehu Road section being executed by Jog Engineering Ltd. "We replace part of the responsibility of the clients – the government or MSRDC – by overseeing the contractor's work and reporting back regularly." MSRDC chief engineer S.S. Momin says, "They are our ears and eyes on the site." Pushp



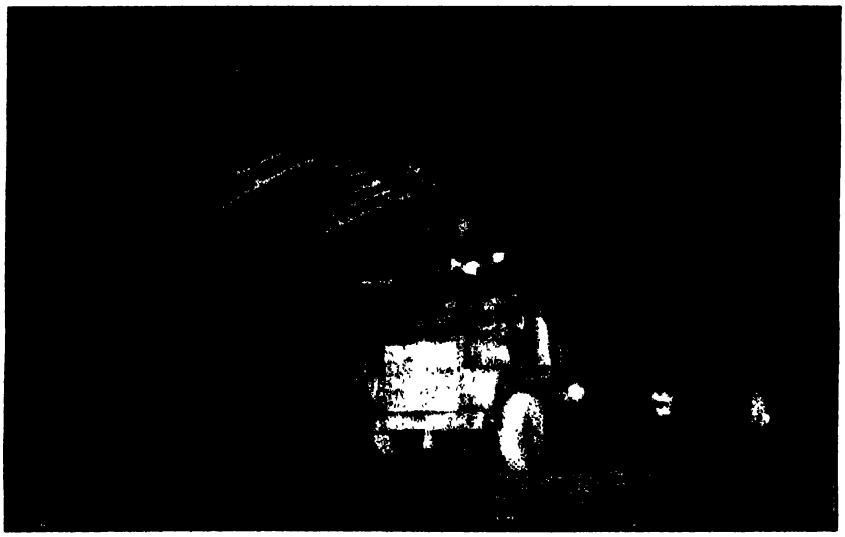
Kumar, senior resident engineer for Intercontinental Consultants and Technocrats (ICT), which is overseeing the work of Hindustan Construction Co (HCC) on the Chowk–Adoshi section, says: "MSRDC's managing director, joint MD, and chief engineer monitor the work and hold monthly tripartite meetings."

Consultants and contractors alike are all praise for their client. "What does a contractor need?" asks M.A. Chitnis, chief resident engineer for Frischmann Prabhu, which is looking after the Larsen & Toubro (L&T) work on the Kusgaon–Ozarde section. "Quick decisions and cash flow. With MSRDC he has both." These depend on the system, and the person at the top – Gadkari, whose table sports a sign that reads 'I like people who can get the things done!' – has made all the difference, the contractors agree. Decisions are prompt. "We are looking at daily toll collection of at least Rs27 lakh," says Momin. "So if the engineer on site feels spending a couple of lakhs extra, say on shifting a pipeline will save us time, he can okay it." Payments are made every week at the latest. "Sometimes we get paid on the spot!" says M.M. Sawhney, vice-president of Jog Engineering.

With the environment ministry having refused permission to build a new road through the Bhor ghat, MSRDC has asked the Indo-Indonesian joint venture Leighton Shapoorji Pallonji & Co and L&T to widen the existing two-lane national highway, NH4. And Konkan Railway Corporation, with its experience in digging the longest tunnels for the Mumbai–Goa rail line, has the largest single contract — for five twin-tube tunnels, with a total length of 5.724 km.

The scale of work is massive. Nearly 1,100 hectares of land have been acquired for the roadwork, quarries, and dumping area; over 2 million cubic metres (Mm^3) of *murum*, 4 Mm^3 of rock, and 7.8 Mm^3 of earth have been excavated. Material requirements include 717,000 tonnes of cement, 25,000 tonnes of steel, and 2,400 tonnes of explosives for blasting — which one estimate equates to the power of 'one Pokhran'.

According to Col (retd) W. Kabir, project controller for HCC, his company has hired ICI as subcontractor, conducting 50–60 blasts in a couple of seconds with special explosives and conducting seismic tests to ensure that they stick within the set sound and vibration norms. "The three viaducts on this section are the most difficult part," says ICT's Pushp Kumar. "The longest is 250 metres in one direction and 280 metres in the other, brought down from the original 330 metres by realignment; and the highest of the 11 support structures is 40 metres tall." Each viaduct is in two separate sections with a gap of 6.6 metres corresponding to the median on the level road. This saves about 15 per cent in both cost and



Contractors on the project are seeing daylight at the end of the massive tunnels

"We have passed the test!"

Contractors, consultants, and officials alike agree that state public works minister Nitin Gadkari, 42, has lit a fire under them and transformed a moribund government department into a dynamic, result-oriented structure. Gadkari, a BJP veteran who is busy campaigning for the forthcoming legislative assembly elections in his home constituency Nagpur, spoke to *Business India* about his dream project

What drove you to get into such a massive project?

As a minister I wanted to do something for not only my city and region, but also for the country. When I took up the expressway project even my colleagues in the ministry were sceptical. We have passed the test! It has always been felt that the government should make policy, not do business. MSRDC pioneered the government's move into business, and it has clicked. This is our example for the nation — we can change the picture of the country in five years. I have also offered our prime minister that we will build roads worth Rs10,000 crore. We can raise this money. We can raise even three times that amount: anyone will invest in a viable project, and infrastructure is a goldmine.

Why did you have to set up a separate corporation when the engineers working in it are from the public works department?

If the PWD moves at 40 kph, MSRDC has a speed of 120 kph. The decision-making process in the government is complicated



PALASHRANJAN BHAUMICK

Gadkari is gung-ho

— there are different departments involved, and things can't move fast. At MSRDC we have professional management, full transparency, a time-bound and result-oriented approach. The principle of MSRDC is to go ahead and take a decision. Bona fide mistakes will be forgiven. This gives everyone a morale boost. On the other hand, I have also given everybody a 'do or die' ultimatum. Those who don't deliver won't survive. The work culture is important; if the political leadership has the will, we can do anything — the sky's the limit. MSRDC has changed the government's way of thinking, shown what can be done. I myself care for people like my family. I don't worry about protocol; I go to my secretary's chamber if I want to talk to him.

What about the opposition to the project from environmentalists and others? Will the work suffer if a different government comes in after the election?

I have planted 2.7 million trees. What do these environmentalists do? They only raise a hue and cry about some mouse deer being endangered! We need a development-oriented approach. My own philosophy is to work like you play one-day cricket: don't miss a single ball, so what if there is criticism that I use a cross-bat? I told the World Bank the same thing: if you want to finance our projects, say yes. If you don't, say no — don't keep us hanging for 13 years!

And no, the work will continue under whichever government comes, because the pace has been set. Of course, we hope to come back to power — so there's no question of priorities changing. •

time, he explains.

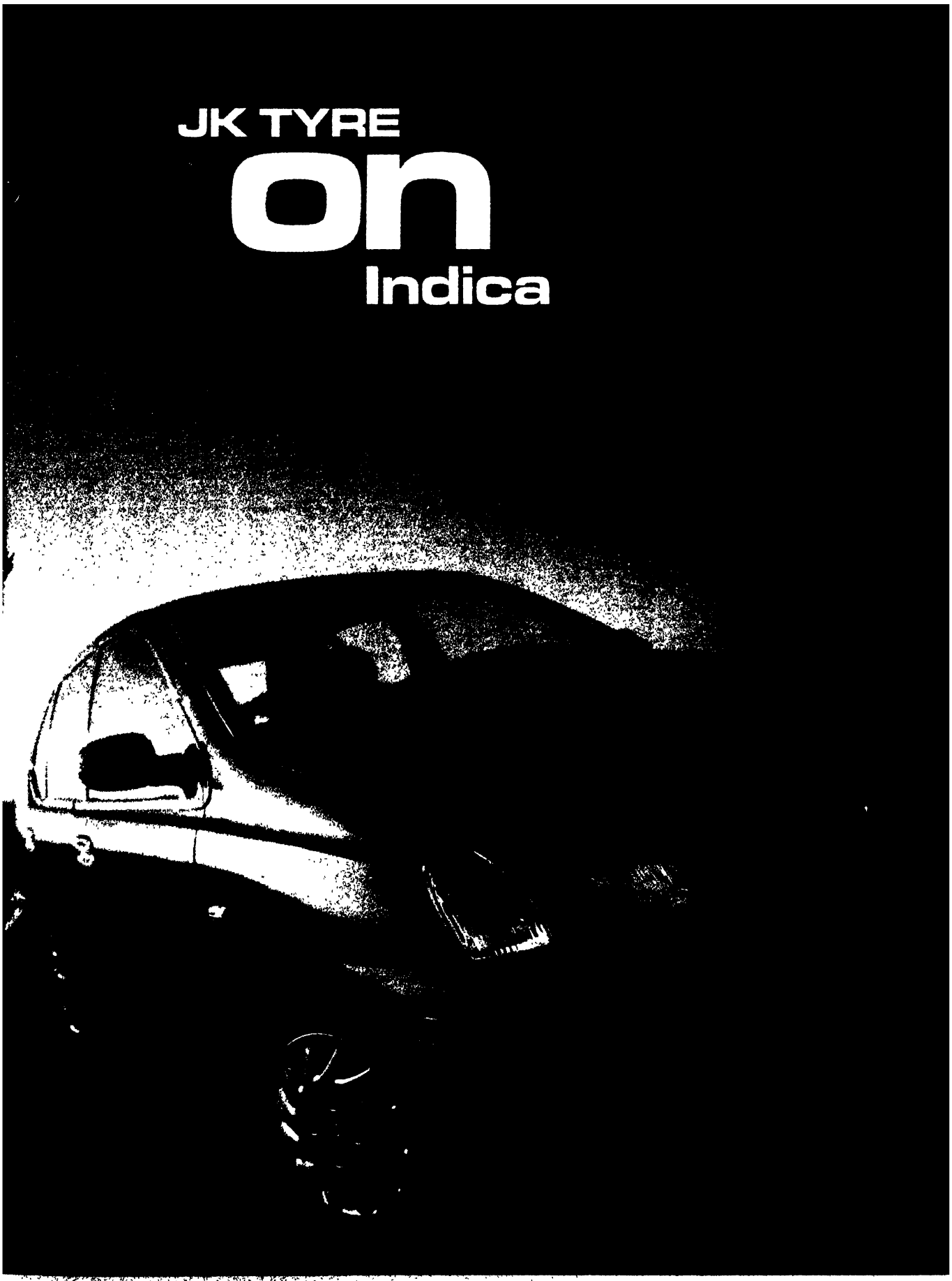
The expressway will also use up 70 million litres of diesel, 3 billion litres of water, and 5.3 million units of electricity. Over 17,000 skilled and unskilled labourers are toiling along the length, supervised by more than 1,000 technical personnel and 150 consultants' staff in 50 labour camps and 55 temporary offices. State-of-the-art machinery worth Rs326 crore – 400-tonnes-per-hour stonecrushers, batching plants to mix concrete automatically, and gigantic concrete-layers, which can do a metre a minute of both DLC (dry lean cement) and the final PQC (pavement quality cement) on the 11.5m carriageways on both sides of the median – have been brought in by the contractors.

"India has made a beginning in getting international standards," says Frischmann's Chitnis. "L&T has a Rs6.5-crore spreader-paver-texturiser, which is being seen for the first time in India." Water chilling plants have also been installed to cool the metal and enable midday concreting, combating the problem of not being able to lay cement at temperatures higher than 30°C. "Finishing by 26 January 2000 is not just optimism," explains Momin. "We are taking stock of the situation with each contractor every fortnight, and initiating corrective action." Even the onset of the monsoon, which he had earlier feared might affect the work, has caused no major slowing down, he claims.

In Sinha's office, a larger computer printout showing the number of days to go for D-Day occupies pride of place on the wall opposite his table. As *Business India* hits the stands, the figure is down to 156. But he is unfazed. "My level of satisfaction is almost 100 per cent," he says. "I am chasing everybody all the time — making my life, and their lives, miserable!"

The finished expressway will be lined with 70,000 trees and barbed-

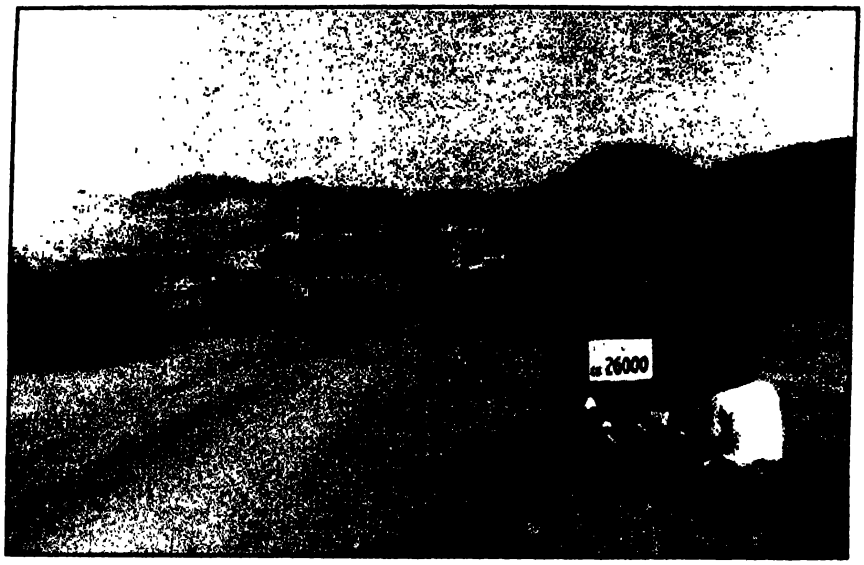
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on
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Jog-ging along

It's ironic that the only section that might not be ready on schedule is the one being built by the man who mooted the idea of a Mumbai–Pune expressway 13 years ago. Madhav Jog, MD of Pune-based Jog Engineering Ltd, first presented a proposal for the project to Shiv Sena supremo Bal Thackeray in 1986, and to then prime minister Rajiv Gandhi in June 1987. "The travel time between Mumbai and Pune should not really exceed two hours, and this can be achieved by installing a six- (plus two pull-out) lane expressway to connect the two cities," Jog wrote in his covering letter. Carrying an estimated 30,000 vehicles a day, the expressway could save Rs299 crore annually in man-hours, fuel, tyres, accident reduction, and vehicle life, he said.



The M.V. Jog section is causing concern

Today MSRDC is faced with the possibility that the 16.15km section 'D' from Ozarde to Dehu Road – 27 km from Pune, where the expressway ends and returns to the existing NH4 – might not be ready by the telescoped target date of 26 January 2000. But everyone admits that it is not the contractor's fault; he had more than his fair share of problems. First, there was a five-week delay in issuing the work order — Jog got it on 7 February 1998, while the others had received theirs on 1 January.

Then it was discovered that a wrong stretch of 1.3 km had been acquired; this necessitated additional tapering of 500 metres at each end, for which the formal letter and drawings came only a year later, on 26 February 1999. "Even today, a 1.35km length is not in our possession!" says Jog. Only about 400 metres, demurs MSRDC chief engineer S.S. Momin. But, Jog points out, there is local opposition along 1.15 km which MSRDC has cleared, and consultant SOWIL's people got beaten up. "Law and order is not our job," he says. Another 200 metres is stuck in a court stay.

The section also has the largest number of substructures for canals and people to pass under the roadway, says M.M. Sawhney, Jog's vice-president on the site. "There are 85, some as close as 40 metres to each other; so we don't get the long haul our earthwork machinery needs," says Sawhney. To make matters worse, adds Jog, culvert designs were being changed as late as June-end, after excavation had been done according to the original plan.

Jog's troubles don't end there. The company had to excavate 2.5 million tonnes of rock, but this is not good enough to use for pavement concrete. "We had to bring in the *murum* from outside, for which we got the formal okay only in mid-April 1999," Jog says. "We finally got a quarry on 18 June and started laying concrete 10 days later."

Jog continues to lay concrete in the dry spells during the rains, targeting 2,000 cubic metres a day. "We are geared up for absolutely jet-set rocket take-off!" says Sawhney dramatically. He is confident that the company will finish its work as promised: "Our reputation concerns us," he adds. Jog himself is not so sanguine. "If anybody expects us to be magicians, sorry!" he says. "If we get the last piece of land peacefully by August end, we can still do it. Otherwise, I don't know." MSRDC is prepared. "We can use a slip road near Dehu Road to get back to NH4 if the section is not complete," Momin says. •

wire fences or walls along its entire length to deny access to unauthorised vehicles or people, and prevent encroachment. The road will be closed not only to bullock-carts and other slow-moving vehicles that plague drivers on the highways, but also scooters, motorcycles, and three-wheelers. Other vehicles using it will be charged a toll, ranging from Rs80 for a car to Rs270 for a bus and Rs670 for a trailer truck. Savings in man-hours, fuel, tyres, and vehicle life will far exceed these fees, even at the rates used by Madhav Jog, managing director of Jog Engineering Ltd, when he first presented his proposal for the project 13 years ago (*see box above*).

The toll, which MSRDC joint managing director P.L. Bongirwar says will be collected by an independent agency at four or five interchanges *en route*, will be in force for 30 years. Control rooms along the stretch will be connected to telephones at 1km intervals, and by wireless to ambulances and breakdown vans stationed at various points. There will also be sick bays, petrol pumps, and convenience stops, and a water system in the tunnels to fight any fires caused by accidents.

Also planned are two 'megacities' alongside the expressway, for which another 1,338 hectares have been acquired. Not all of those whose land has been taken are farmers — many have bought plots of 0.4 hectare or less to build homes. According to Jayant Sadavarte of the Plot Dharak Sanghatana, the government is giving such people alternative plots too. "But this is a concession, not a right — plotholders

JK TYRE

on

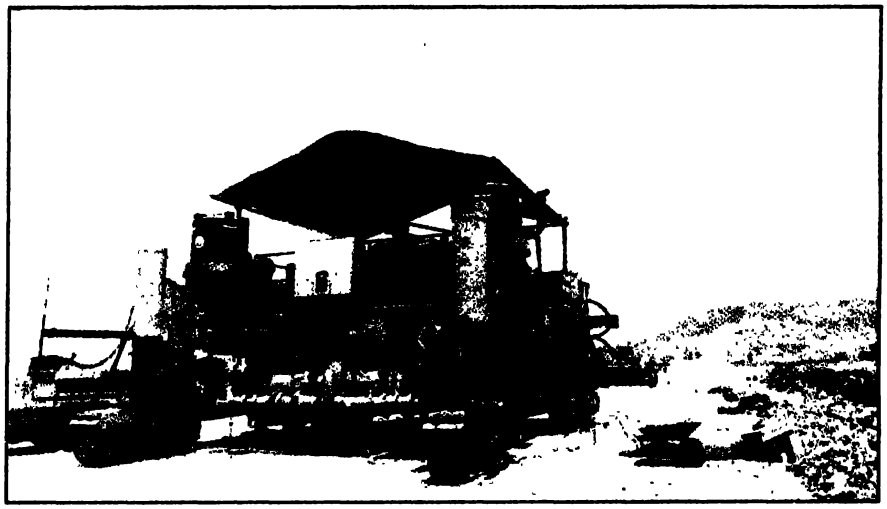
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ARUN D KULKARNI

The road can match an airstrip not only in width, but also in strength



Huge investments have been made in concrete-laying and other hi-tech machinery



The three viaducts have support structures up to 40 metres tall

have to apply for it," Sadavarte adds.

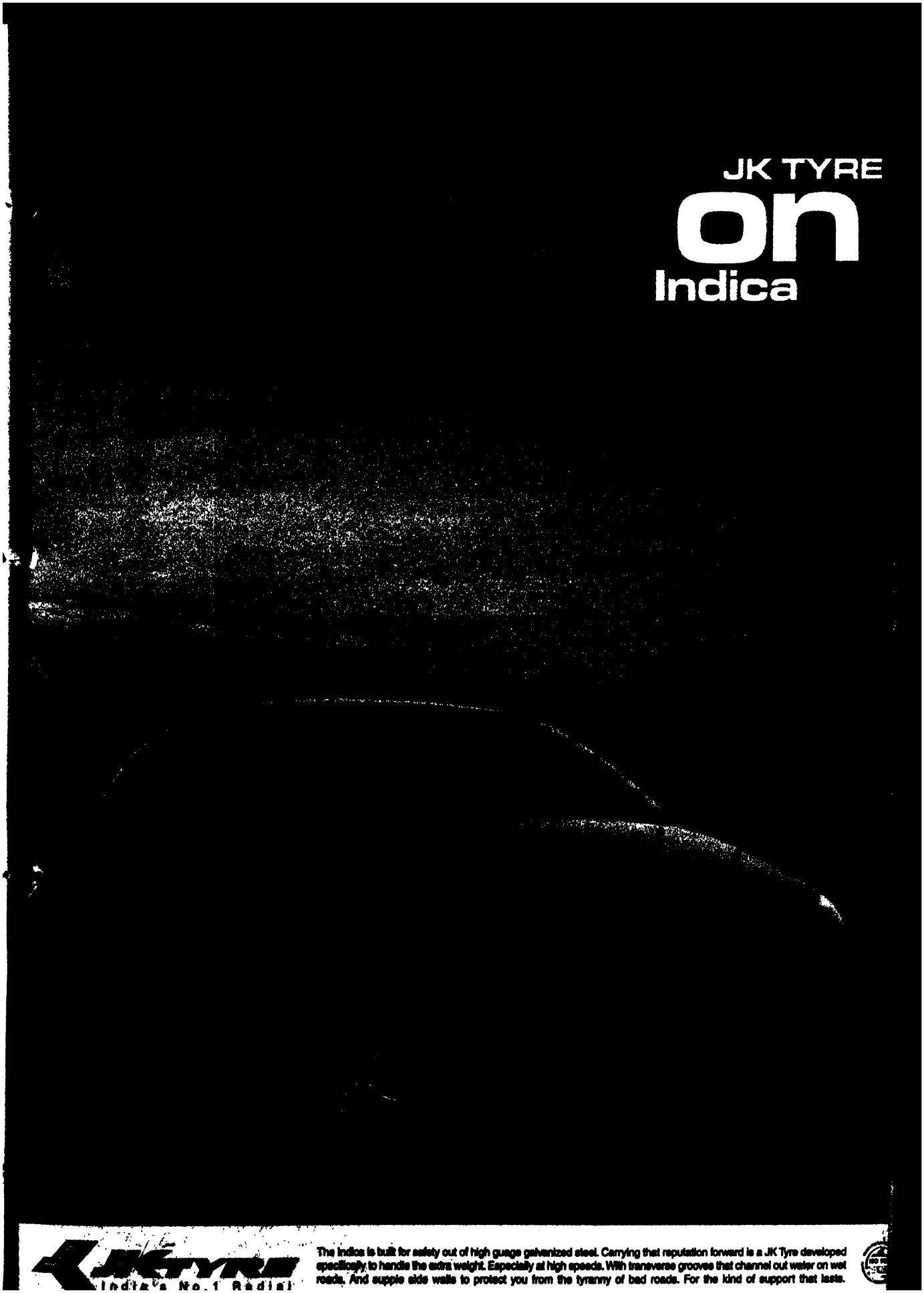
But not everyone is happy. Ecologists have been up in arms against the degradation of the countryside and the threat to wildlife, especially in the ghat area. Sujit Patwardhan, environmental activist and founder of Pune-based Parisar, objects to the project on practical rather than 'green' grounds. "Gadkari's claim of being able to drive from Dadar to Alka Cinema in Pune is no less false than those of plantation companies promising astronomical returns to investors!" he fumes. Parisar and other organisations have been trying in vain for over a year to get the project report from the government and MSRDC. "Public money is being spent. Doesn't the public have a right to know whether it is necessary or not?" Patwardhan asks. The project, he claims, was cleared hastily on pressure from the state government at a time when environment minister Saifuddin Soz was not even in India.

"There has been no proper scrutiny," Patwardhan insists. "The wildlife society of Dehra Dun surveyed the ghat section and did not clear any blasting there — but MSRDC went ahead, and now there are landslides!" Momin, however, stresses that the landslides – which blocked traffic between Mumbai and Pune for a couple of days in August 1999 – were 'natural', caused by the heavy monsoon rains. "The railway tracks were also blocked. That couldn't be because of blasting on the road," he says. Patwardhan, however, has a point when he talks of the need to improve public transport so that fewer private vehicles are used. "We should reduce the traffic rather than build more roads, which will only attract more traffic," he adds. "Experience around the world has already shown this. Why are we going the same way?"

Gadkari has more justifications. "Every Rs1,000 crore of investment generates direct and indirect employment for 100,000 people," he says. And we are using steel and cement worth Rs2,000 crore this year alone, in a time of recession, when industries are on the verge of closure. Another 250 industries run with these two core industries, so count the benefits."

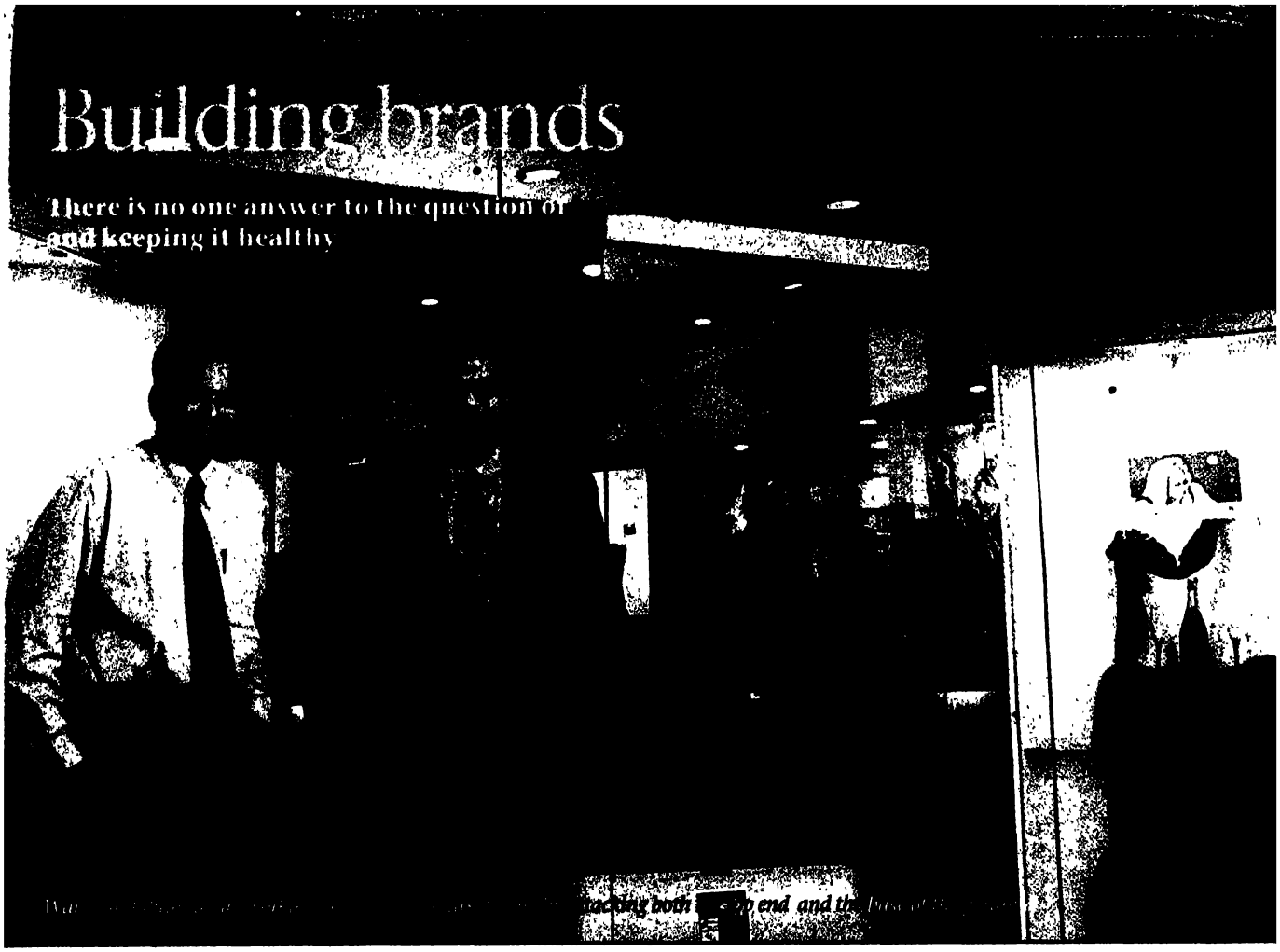
Adds the visionary and prime mover Jog himself: "The microeconomics is that the motorist saves fuel and time, which leads to the macro benefit of an enormous saving in foreign exchange outflows. Add a 25 per cent increase in tyre life, and the colossal cut in man hours spent with four passengers in each of 80,000 vehicles saving two hours — and you get a figure of Rs80 lakh a day. This will accrue to the national economy, not to MSRDC or the state government, he points out. Whether or not his company finishes its part of the project on time, there's no arguing with Jog's figures.

• SEKHAR SESHAN


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The Indica is built for safety out of high guage galvanized steel. Carrying that reputation forward is a JK Tyre developed specifically to handle the extra weight. Especially at high speeds. With traneverse grooves that channel out water on wet roads. And supple side walls to protect you from the tyranny of bad roads. For the kind of support that lasts.

Building brands

There is no one answer to the question of and keeping it healthy



On the old Prabhadevi Road in central Mumbai, DGP Enterprises chairman Dilip Piramal is ensconced with his managing director A.G. Warey as they chalk out the strategic imperatives to take the VIP brand to a whole new audience. Students and young professionals are in the crosshairs as the concept of a hipper, trendier, and more zingy travel companion is being touted.

Meanwhile, Ahmedabad's Ashram Road has Nirma chairman Karsanbhai Patel in a huddle in his third floor chamber with his senior management team evaluating the success logged by Nima Rose soap, which was launched aggressively earlier this year. Nima Rose is being used as a flanking device by Nirma as it taps smaller regional markets and stops rivals in their tracks. In fact, the Nima brandname is now being used to sell detergent — cakes and powder — as well as soap. The creation of a parallel brandname, a first for Nirma after years of dominating the marketplace through umbrella branding, is already paying dividends.

In April 1998, Nirma turned the price-sensitive soap market on its head by launching Nirma Lime Fresh. In a month, 17 million cakes were sold and, as Karsanbhai himself says, "My strategy is very clear — I will not launch a product without test-marketing it. Further, I will not advertise till I launch the product. Remember that I am selling mass-based, competitively-priced products." A high-decibel advertisement featuring Ria Sen followed the Nirma Lime Fresh launch and the rest, as they say, is history.

Nirma, with a 38 per cent marketshare in detergents (cake and powder) decided to add value to its portfolio in 1992 by launching Nirma Beauty soap. Today it has an 18 per cent marketshare in the soap segment. Nima Rose is already a market leader just as Nirma Lime Fresh is. When Jai launched its lime variant, Nirma was quick to follow up its Nima Rose brand with a lime variant. Nirma is the perfect story of brand-building. Karsanbhai says, "In the early 1980s, when television began to make inroads into rural and urban India, Nirma would be one of the advertisers for the Sunday evening Hindi feature film. But the positioning of the TVC (TV commercial) was such that the majority of the populace thought the film was being sponsored by Nirma. This stood us in very good stead."

Similarly, overlooking the Arabian Sea in his Rang Sharda office in the western suburb of Bandra in Mumbai, Marico Industries managing director Harsh Mariwala is putting the tentpoles in place for his relaunch of Mediker, a brand acquired from Procter & Gamble for Rs10 crore. Companies armed with brands are resurgent on the stockmarkets. Marico, with Parachute and Saffola, is the perfect example. Marico has very smartly used the natural route to deliver promise. Mediker has been acquired as the group did not have a serious medicated brand in the problem-solution area in hair care. A need gap has thus been plugged.

Are brands enduring or

ephemeral? Do they become part of a habit? Jagdeep Kapoor, brand-builder and managing director of Samsika Marketing Consultants, reckons that serious brand-building as a concept has emerged lately in India. He says, "Earlier people would snigger at the thought of systemising the process (*see box*), but now that brand power has come through, good brand strategies will triumph in the marketplace."

It must be mentioned here that India is a large market which consumes a wide array of products. In fact, according to socioeconomic classification, there are 12 different segments. There has to be a passion to build a brand, for it is very much akin to nurturing a child or a plant, for that matter. A high level of involvement and marketing discipline is required to shore up a brand. What's important here is that marketing has different connotations for different organisations. Kapoor says, "It should be a culture within the organsation. I have created what is called the land and brand module. My contention being that, just as one invests in land, one invests in a brand. You have to have a long-term vision in brand-building that remains the edifice. For instance, brands like Navneet, that I thought had submerged, have been jumpstarted with the help of external inputs. Restructuring of the product portfolio and repositioning the brand has enabled it to grab marketshare and create a profile for itself."

Monginis, the franchise cake shops in Mumbai, have gone national very successfully using Kapoor as the whetstone. Over the last three and a half years Monginis has improved from 69 franchisees to 203 and the vision for 2002 is 1,000 shops.

Mariwala firmly claims that brand-building and survival in a free market depends not just on which category you are operating in, but the presence of global brands in it and, most importantly, the intensity of the battle. Take Coke and Pepsi, who with their deep pockets view markets very, very passionately. Soft drinks, toothpastes, or shampoos are arenas in which MNCs hold the cutting edge with a high decibel marketing. Mariwala says, "We aren't vulnerable to that extent. While we are fighting MNCs, these are very much *desi* MNCs operating from within. At the end of the day one has to be insightful to capture the consumer's interest and this should translate into brandworthiness."

Dilip Piramal reckons that the VIP brand was built on advertising, promotions, and a retailing thrust. "Yes, it was built from ground zero, but product quality has always been an engine. Today Sam-sonite's presence does not deter me, for I have managed to impact the top end of the market through better designing. In 1999-2000 VIP's adspend will be close to Rs20 crore."

Of oral care and opportunity

A classic case of brand-building in recent memory is Hindustan Lever's imperatives and intent in oral care, a market it has not only assiduously built over the last decade but also made deep incursions into rival territory grabbing a substantial marketshare. The toothpaste story begins in the late 1980s, when HLL had a marketshare of just 4-5 per cent through two brands — Signal and Close-Up. It was at this point that HLL realised that a huge need gap existed and the opportunity was staring it in the face. With oral care being designated as an integral part of personal care, HLL made its strategic foray. Concurrently, sweeping reforms were taking place and the third party manufacturing route was available. The action plan was clear — relaunch Close-Up, delist Signal, and concentrate on building one brand.

Differentiation is a critical area in the consumer's mind. So HLL decided to be distinct and attack with a genuine and unique selling proposition. Mukul Deoras, general marketing manager for toothpaste and toothbrushes, says: "Everything about the new Close-Up was different; it had functional attributes, brand benefits, and brand personality. When the world was full of white toothpastes, we offered the first gel, a spicy, clove-based toothpaste in a novel collapsible laminated tube with intrinsic characteristics offering youthfulness and vibrancy."

Those were the days when tooth decay was top of mind in the oral care category, but Close-Up's blueprint offering fresh breath and white teeth made a positive impact as it targeted a spanking new audience — the 15-35 age group. Deoras claims that, through its campaigns, HLL was now talking to the customer directly on a one to one basis. "When Close-Up was first launched it was seen as an elitist, urban, and westernised brand, but during its successful relaunch it evolved and expressed itself into a fresh breath-confidence booster mass-market brand."

This was the turning point as the brand property changed and a new segment was created. Pertinently, the toothpaste market today is valued at Rs1,780 crore. Colgate remains the market leader with 51.1 per cent, but HLL is closing up with a 37.03 marketshare. The evolution has been staggering — in 1990 HLL had a 10 per cent marketshare, which grew to 18 by 1995 and is currently pegged at 37 per cent.

Oral care valuation for 1999

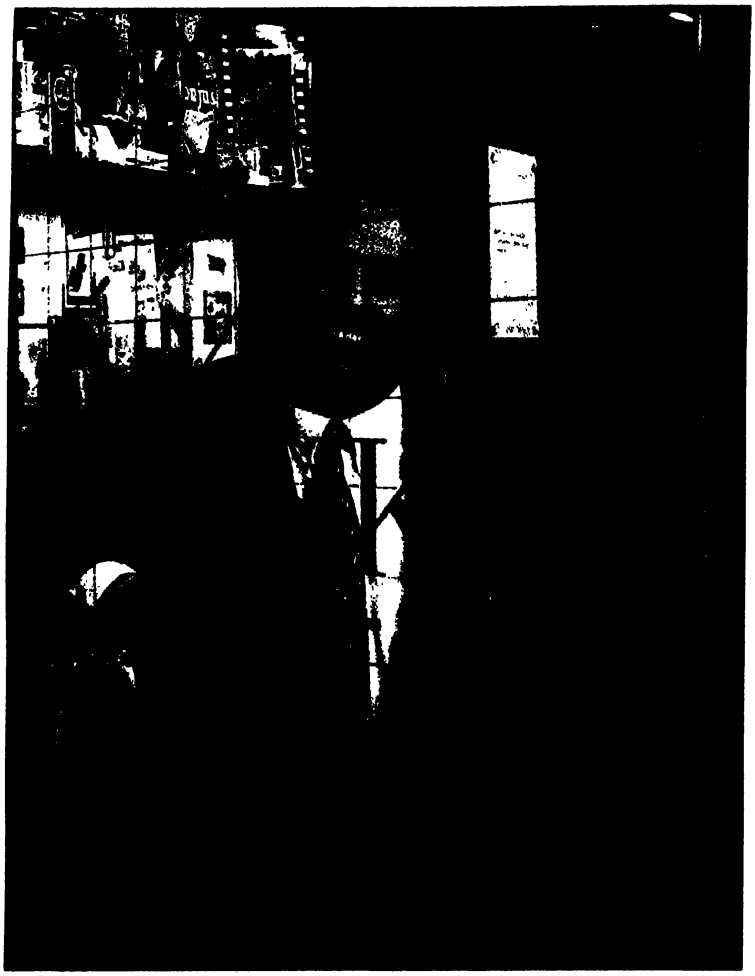
Toothpaste	Rs1,780 crore
Tooth powder	Rs462 crore
Toothbrushes	Rs390 crore

Once Close-Up started climbing, HLL felt health remained an important benefit segment. It also felt that it had a large enough business to use as a springboard for the next step on the ladder. A relaunch of Signal was seen as a case of carrying the baggage of the past. Protection of the teeth thus became the focus area and 1993 saw Pepsodent being launched, and once again it bridged the need gap effectively. Today, of HLL's 37.03 per cent marketshare, Pepsodent-G, 2-in-1, and Advanced contribute 15.38 per cent.

The next level came when HLL decided to leverage toothpaste's brand equity in toothbrushes and in this too it made rapid headway. Today the toothbrush market is valued at Rs390 crore, of which HLL has a 25 per cent share. Interestingly enough, 20 per cent of the total oral care business is in toothbrushes and HLL is now operating across all the price segments.

The adspend in oral care is pegged at Rs160 crore and HLL alone forks out a third of that figure. The clinching fact, however, is that oral care is now contributing to the juggernaut's bottomline in a big way.

At Marico the view is that, as the environment is constantly changing, opportunities and competitive threats have to be absorbed. The challenge of change is what Mariwala is guarding against. Branded coconut oil is a Rs600-crore market, while the non-branded market is valued at more or less the same. Parachute and its extensions are the market leaders. Though there is competition from Shalimar in the east, Coco Care in the west, and HLL's Nihar, Marico has safeguarded its interests and share of the market by focusing on advertising, sales, and distribution. Marico's adspend is 7.2 per cent of its sales turnover (Rs551 crore in 1998-99). Nearly 50 per cent of Marico's sales come from Parachute and its extensions.



Kapoor reckons that brands live beyond human beings

Kapoor maintains that brand-building is based on honesty, distribution, segmentation, pricing strategy, perception management, and customer service management with advertising being a small component. "Brands live beyond human beings — they don't have just a personality, but longevity. Brand management is an integrated process. One cannot live on past glory. It is a consistent, persistent, and insistent exercise."

Which is an interesting thought, for if you look at Thums-Up, Kissan, or Captain Cook, they continue to do well despite having changed hands. But against that there are brands which simply begin to fade for lack of nurturing and embellishment. If they are not made contemporary and their perceived value is not cranked up and concurrently the consumer's expectation level goes up a notch, they begin to get inundated. They begin to drift, then languish. Examples that come to mind are Promise, Murphy, and Rasna.

Marketers will tell you that one needs to be proactive in brand-building. Let us take the case of Promise toothpaste, which in 1990 had a sizable 12 per cent marketshare, which was incidentally better than HLL's. But as HLL turned on the heat (*see box*), Promise lost focus. As the freshness market in toothpaste started growing with the advent of Close-Up, Balsara's Promise deviated from its given niche of being clove-dominated. It started targeting freshness, a folly in the ultimate analysis. Things went wrong when it was discovered that it was an undersupported category in terms of advertising and marketing expenditure. Further, Promise didn't have the ability to cross-subsidise in terms of surplus cash. Colgate too faltered, reacting too late, not changing its mix. Colgate Dental Cream was not bolstered at this vital juncture. A simple marketing tenet is that, when you are battling for marketshare, the core business has to be protected at all costs.

When HLL took on Nirma by launching Wheel, Rin and Surf were never neglected. On the contrary, they were beefed up. Rajesh Jejurikar, general manager at Marico, states that the core values of the brand have to be communicated efficiently at all times. That is one of the reasons why Marico is using Conquest, a consumer contact process, for constant brand feedback.

In toothpaste HLL was the aggressor and most proactive. Says general marketing manager Mukul Deoras, "We cannot afford to be the followers. Brands don't happen; they have to be clearly articulated with a relevant positioning strategy. Every single element of the brand's attributes and mix reinforces its position consistently." Propositions have to be created as price points for brands are less elastic to changes unlike commodities. Nirma is the finest example of price-sensitive products sweeping the opposition. But HLL too has brands like Sunlight and Dalda, which not only became irrelevant in their respective categories but couldn't transcend to the next level.

Against that you now notice that the commodity business is gradually turning into a branded commodity business with the MNC marketers moving up the value chain. Cases in point are HLL, Pillsbury, and International Best Foods, who are battling for the branded *aata* market. Niches are always easier to protect. The *ayurvedic* business, where MNCs cannot bring in global muscle and leverage, is one example. But here too, brand-building is a continuous process. Dabur and Himalayan Drug Company are relentless in this regard.

Homespun brand management

Marico Industries has institutionalised its brand management process. The manual for the brand management systemisation process, called MAVERIK, details how to manage the seven brands (Parachute, Saffola, Sweekar, Revive, Sil, Hair & Care, Mediker) and their extensions in the Marico portfolio. Managing director Harsh Mariwala maintains that branded businesses are Marico's core competency and the company is constantly building barriers to competitive threats.

MAVERIK has been broken down as Mentor-Analyst-Visionary-Entrepreneur-Resource Controller-Innovator-Koordinator. This dovetails into MAP (Marico Action Plan), launched in February 1995, which remains the group's guiding principle in building a "goodwill index". The bulwarks of this plan are brand empathy (bonding or endearment), brand saliency, and brand premium (ability to attract a price premium). Consumer perceptions are the benchmarks for a brand as a mapping is done to evaluate the emotional-versus-rational position.



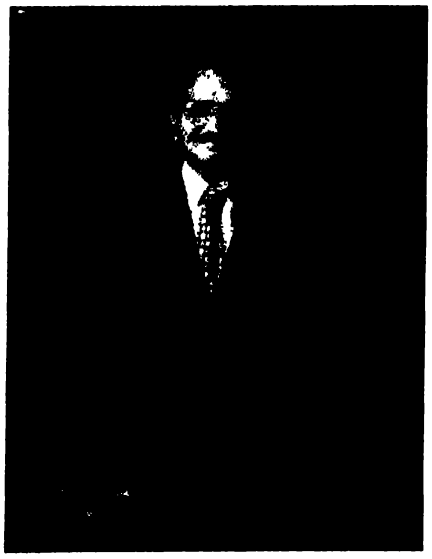
Jejurikar maintains that Marico has used the natural route to deliver promise effectively

This translates into an annual strategy recommendation process using several tools like product packaging, distribution, customer relationship, public relations, advertising, sales promotion, and market research. The brand managers discuss these aspects threadbare to evolve the brand's thrust for the coming year. Over and above this, a monthly tracking programme which considers brand imagery, positioning, and disposition to trial is organised.

Marico general manager Rajesh Jejurikar, who has institutionalised the process, argues that all sorts of inputs are valuable. He says, "Consumer behavioural data is another important facet. Brand loyalty in our case is very high. In fact, for both our flagship brands – Saffola and Parachute – we are at the top end of the loyalty pyramid. And we have noticed very high retention scores for their extension products as well."

Dilip Piramal, who owns VIP luggage, one of the most durable brands in the Indian context, purchased it for Rs25 lakh in 1973. BlowPlast, which controlled VIP as a 100 per cent subsidiary, was a sick company known more for its PVC footwear and blow-moulded plastic containers rather than luggage. Piramal closed down footwear in 1976 and then began to work on the luggage products. "Till 1985 we were one of the largest advertisers, with print being used very effectively. We maintained a ratio of 5 per cent of sales as adspend and launched a welter of products — Travelite, Alpha, Classic, Skybags, Odyssey, and Elanza. Today brand sales including exports (Rs15 crore) are Rs315 crore. However, I must confess, our growth has got stymied with the mushrooming of the tax-evading unorganised sector. But we are tackling this at all levels."

BlowPlast managing director Arun Warey, who is leading VIP's retail response by setting up VIP Lounges across the country, says: "We already have 10 Lounges in place. The investment is to the tune of Rs6 crore, and we expect them to start giving us Rs50 lakh each annually in the immediate future. This is not just a marketing gimmick, but more of a brand- and customer-relationship-building venture. The response has been very encouraging and in the short term we will have six new Lounges in southern India. This year we should grow by 15 per cent in terms of sales with the economy segment (*mantra*) driving the growth taking on the unorganised sector." VIP is now seen as an A-to-Z luggage company with the mother brand spawning several sub-brands. Care is taken that the sub-brands like Travelite, Elanza, Odyssey, etc, don't diffuse the image of the mother brand.



Karsanbhai Patel is now using Nima as a flanking device

Brands are identifiable, valuable, and even synonymous with quality. Karsanbhai says, "Nirma is known for its quality. If the consumer is paying for my products, it is only because he values it." But the resources required to build brands are enormous. The entry point also matters. SmithKline Beecham Consumer Products recently launched Aquafresh toothpaste, despite the fact that a slugfest is on between two powerhouses. It is apparent that they have a strategy in place, which at this juncture is not visible.

What is pertinent is that good, sturdy Indian brands appear to be holding their own against the MNC onslaught. Reputation, quality, marketing savvy, usage, and a proactive approach remain the pivot around which the exercise of brand-building is based. The branded knights who going forward understand the consumer's psyche, adopting a single-minded professional marketing strategy that will dominate the chessboard and realise better prices.

SANDEEP HAMZAI

Changing colours

To thrive in the new free market, oil giant Hindustan Petroleum needs size, spirit and speed

Call it symbolic. Inside Petroleum House, the Mumbai-based headquarters of oil company Hindustan Petroleum, several walls are pulled down every day. On any working day, the sound of hammers beating ceaselessly is heard at different places in the seven-storey building. In the past two years, the offices for the top brass have already been made over. Now it is the turn of the middle managers to move into more contemporary work spaces

At Hindustan Bhavan, a 10-minute drive away and another company bastion, hundreds of computers lie junked on the staircase, waiting to be eased out as new generation, high-end machines replace them. The brand new work environs are just a face of the change sweeping through the Rs26,000-crore Hindustan Petroleum Corporation (HPCL).

From a completely government-owned oil refining company till four years ago, the Hindustan Petroleum stock is now actively traded (current price: Rs239) on the country's bourses as the government has sold 49 per cent of its shares, the largest divestment in oil yet.

From making and marketing refinery products like petrol, diesel, kerosene and cooking gas, HPCL now plans to produce crude oil and generate electricity. In its latest board meeting held late July, a new division for non-conventional, renewable energy sources like solar and wind power got approval.

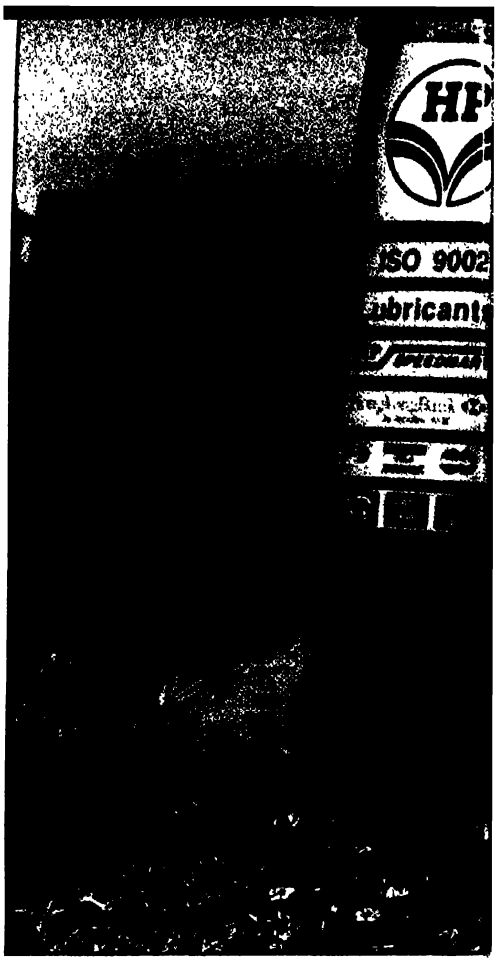
Further, its long-dragging project to set up a Rs10,000 crore, 9 million tonne refinery in Punjab as a joint venture may well come out in a new *avatar* soon, with the public sector oil firm opting to go it alone. Ever since joint venture partner Saudi Aramco ditched it in early 1998, citing unviability as its chief concern, the project has failed to attract a partner. Yet, rapid industrialisation in Punjab resulting in a growing demand for diesel has kept plans alive.

With fears of a surplus in Indian refining capacity by 2001, HPCL is now understood to be looking at Punjab primarily as a diesel-producing base and scaling down plans for other products at the moment. "The joint venture partner was required to raise the necessary financial resources. But if the cost of the refinery is brought down, then our own balance sheet can take it," informs Hiralal Zutshi, 57, chairman and managing director since 1995.

Organisational changes are churning too. Following recommendations from Andersen Consulting, a massive restructuring of the 12,000-strong company was kicked off two years ago. Four exclusive strategic business units (SBUs), currently under various stages of implementation, are to replace the practice of marketing the vast range of refinery products like petrol, cooking gas, lubricants and kerosene from under one umbrella. Upcountry offices will now have a matrix structure with employees reporting to respective business heads across the country. Delayering in its 3,000 officer ranks is ongoing. Bids for an enterprise resource planning (ERP) programme to integrate information technology are to be invited shortly.

But the most significant shift perhaps, is the one in heart. "We have been conservative. Where strategy goes, I believe it is a strength. But at the operating level, we need to delegate and become more responsive to the market. One may well argue that conservatism arises out of bureaucracy and we are trying to change that," admits Zutshi, who rose to the top post after a full three decades in the company.

The compulsion to change is a fallout of deregulation. Since the 1970s when the three foreign oil companies, Esso, Caltex and Shell, were asked to leave the country and their assets transferred to the two new

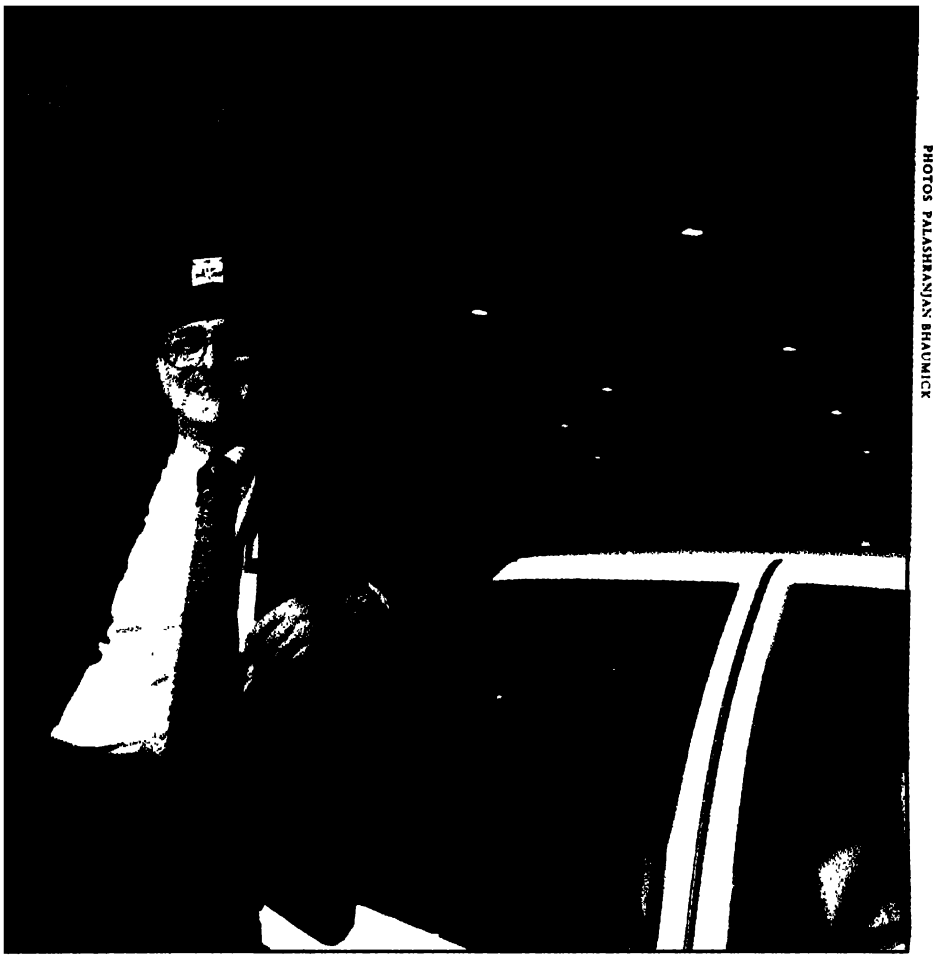


Chief Zutshi feels HPCL needs to shed some of

government-owned companies, HPCL and Bharat Petroleum (BPCL), the sector has been completely controlled. A standard pricing formula ensured a fixed 12 per cent post-tax return on net worth. Competition was further precluded with high entry barriers for imports and no permissions for direct investments by international oil majors.

Starting with lubricants in 1993, where both foreign and Indian players are now jostling for shelf space, the oil sector is in the midst of a phased liberalisation programme and is to be completely free in three years. Private companies like Reliance and Essar have already set up refineries and large foreign giants such as Shell, Exxon and Mobil eyeing the cake as well.

With its one-fifth share of the market, HPCL is second only to the Rs70,000-crore Indian Oil Corporation (IOC) which has half the market under its belt. HPCL's closest rival is clearly the Rs25,600-crore BPCL, which was formed from the erstwhile operations of Shell, just like HPCL came into being by putting together Esso and Caltex.



PHOTOS: PALASHRANJAN BHAUMICK

its conservatism

Barring petrol, diesel, kerosene, cooking gas and aviation fuel which make up about 70 per cent of volumes, refinery products like naphtha and furnace oil are already deregulated. With the exception of lubes where marketshare slid with increased competition, refining profitability in decontrolled products is understood to have improved with the transition from the cost-plus pricing mechanism to market-driven prices.

"The 12 per cent return was based on investments in assets. Today, both our refineries and dealers are old and hence their assets are depreciated. So, compared to a grassroots refinery our base is lower," explains Surinder Kapoor, 57, HPCL's director-marketing. Significantly, the marketing and distribution network which covers such critical aspects as companies choosing dealers will be controlled till 2002.

Adds Kapoor, "Post-deregulation I can see a scenario which will allow me to generate more out of marketing. For instance, transportation expenses are constantly going up, but our returns are fixed on historical costs. As a result, there are heavy under-recoveries." Agreeably, there exists potential for greater efficiency in a free market, but profit margins will also be under pressure due to increased competition, both from Indian and foreign companies. Further, the fluctuating prices of crude oil, nearly half of which is still imported, also impacts profitability.

According to a recent estimate by Birla Sun Life Securities, a Mumbai-based broking company, average profitability per barrel at HPCL has grown to $2.2 in 1999 as compared to $1.2 under the fixed price regime. Says Vidyadhar Ginde, analyst, "Basically the return was based on costs, which happen to be very low for the old PSUs." Thus HPCL is not unique in this respect and its competitors' operations have become more lucrative too.

In anticipation of the free market, HPCL drew a 25-year perspective plan in 1995, a 130-page "confidential" document, that is its Bible for the future. "We wanted a longer-term view of the emerging scenarios of the future and the opportunities. We assessed our strategies and decided to opt for joint ventures as our route to growth," says Zutshi, who consulted the Hyderabad-based Administrative Staff College of India (ASCI) to formulate the plan.

As with any long-term goal-setting exercise, the initial five years can be determined relatively easily, the next 10 are probable, while the last decade futuristic. Admits Zutshi, "The first five years up to 2002 are very crucial. During this period, competition is limited and steps have to be taken to develop systems, streamline procedures and create key assets."

Achieving size is the overriding concern. For some time now, HPCL has been representing to the government that it is the most suitable for taking over the Rs5,000-crore IBP, the standalone marketing company with a 7 per cent share. But BPCL appears to have pipped its larger rival in the race for IBP. With a total marketshare of 27 per cent, the BPCL-IBP combine will overtake HPCL's 20 per cent share in just one swoop.

Since the government-constituted Nitish Sengupta Committee first recommended the merger earlier this year, HPCL is understood to be repeatedly representing its case. It is pushing hard on two counts. One, it has more refining capacity than BPCL. Secondly, it hopes to cater to IBP's vast distribution network in the north with its new refinery coming up in Punjab. The final government decision is still awaited.

Also on Zutshi's agenda is an alliance with Bharat Petroleum. Till a few years ago, this would have been unthinkable. Though both companies are owned by the government and share infrastructure, their rivalry has intensified with deregulation.

But market dynamics are changing. Big brother Indian Oil is hardly napping. A few times the size of its smaller counterparts, it is not only adding more refining capacity, but also entering the high-risk, high-return crude exploration business in an alliance with the monopoly Oil and Natural Gas Corporation, another profitable state-owned venture.

Reliance Petroleum is another threat. Its 27 million tonne-refinery at

Tarla Dalal

Acquisition of "Tarla Dalal" trademark
by
International Bestfoods Ltd.
(formerly Corn Products Co. (India) Ltd.)

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BESTFOODS

Acquisition of the "Captain Cook" brand and business
by
International Bestfoods Ltd. (formerly Corn Products Co. (India) Ltd.)
from
DCW Home Products Ltd.



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Long-term bargain

With information technology and pharmaceutical shares ruling the roast, India's oil giants are probably feeling left out. In the last two months, the three mega public sector companies, Indian Oil, Bharat Petroleum and Hindustan Petroleum have sought to lift shareholder spirits with magnanimous payouts and bonuses galore. While the dividends range from 110 per cent to 125 per cent, both IOC and HPCL have allotted one share free for every two shares held.

Says H.L. Zutshi, HPCL's chairman and managing director (CMD): "We have very hefty reserves (Rs4,812 crore in March 1999) and a small part of these (Rs112 crore) were capitalised towards bonus. Our minority shareholders were expecting a reward too." Currently, 51 per cent of the company's stock is held by the government and the balance by public. The bonus will take HPCL's equity from Rs226 crore to Rs338 crore. Post-tax profits were Rs900 crore during the year ended March 1999 and financial analysts expect these to cross Rs1,100 crore by March 2000.

According to S.D. Gupta, HPCL's director-finance: "The stock makes a good buy as the government's stake is already down to 51 per cent. With several other public sector companies to be divested, HPCL is unlikely to have any further dilution. Further, its fundamentals are strong and it will gather strength as the economy picks up."

Rajesh B. Majumdar, petroleum industry analyst with broking firm BNP prime Peregrine, expects an upward movement in the stock from its current level of Rs240 (5.3 times the earnings per share) on the assumption that profit margins will improve in the third and fourth quarters of the current year. "We expect an improved product mix and the expansion in its Jamnagar refinery to increase HPCL's margin to $1.9 per barrel in 2000 from $1.8 in 1999 and then to $2 in 2001. A net profit growth of 20 per cent clearly makes it attractive," he says.



Further disinvestment in HPCL is unlikely, feels Gupta

A higher than projected 9 per cent growth in demand in the current year's first quarter has further bolstered BNP Prime's optimism. But not everyone is as bullish. Says Vidyadhar Ginde, sector analyst for Birla Sun Life Securities, who has a "longterm buy" recommendation on HPCL: "Basically I am underweight on the sector at the moment. With large refining capacity additions during 1999, a supply surplus is likely by 2001 and margins may come under pressure by this year-end."

For the long-term, however, he feels that oil company stocks like HPCL and BPCL with prices less than 6 times earnings are still valued "very cheap", compared to the average P/E for BSE sensex stocks at about 18. An alliance with a multinational can further boost oil industry stocks on account of the high valuations that foreign companies typically command. But with the government seeking to raise money in the near future through cross-holdings between different oil PSUs, the entry of a foreign partner, it is felt, is unlikely at this stage. •

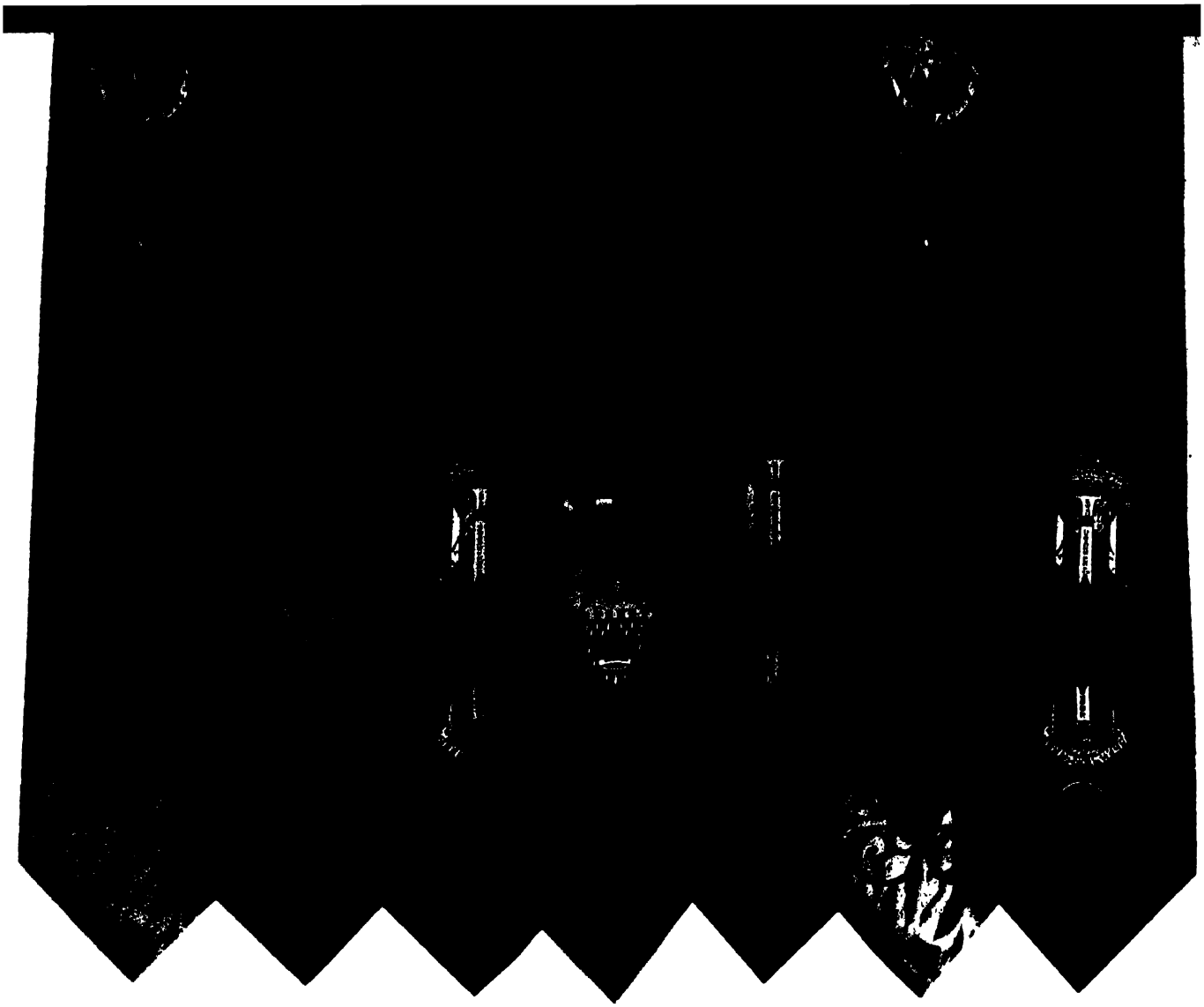
Jamnagar in Gujarat is larger than the individual capacities owned by either HPCL or BPCL. Also, it is talking of teaming up with IOC. Reliance is currently the only fully integrated player with interests in upstream oil exploration and is a big consumer for refinery products for its mega petrochemical plants, which further feed its textile units. Competition from foreign companies is equally real. The strength of the three public sector oil companies lies in their tremendous marketing infrastructure.

The plan to forge a link between HPCL and BPCL had also been announced by the Sengupta Committee, which was constituted to look at the future options for the standalone refining companies and IBP. Notes Zutshi, "We must reach a critical mass. In the future, marketing facilities like retail outlets, pipelines, gas bottling plants will be crucial. Both HPCL and BPCL have a strong brand loyalty with customers and employees, so we may retain our respective individualities. A lot of ground would still need to be covered. We are looking at a holding company, which would help us reach economies of scale and facilitate infrastructure-sharing." Teams constituted with employees of both companies are already evaluating an alliance on different fronts. Just in case the partnership does not work out, Zutshi says HPCL will "have to consider a strategic alliance with a foreign player as huge investments would be necessary in the future, particularly in downstream activities like marketing."

Joint ventures are being firmed up by HPCL in other areas too. Prize Petroleum, a 50:50 partnership company with Indian financial institutions, has been formed for the crude oil exploration and production business. It has a wait-and-watch approach here and will first bid to only produce crude where it has already been discovered.

A 500 MW power plant in Andhra Pradesh, which will use residues from the company's Visakhapatnam refinery as fuel, is proposed as a tie-up with the AP State Electricity Board, wherein HPCL will have a 26 per stake. An entry into petrochemicals is envisaged for a later day. According to Zutshi, successful international companies like Shell and Exxon, have all been integrated instead of just a presence in oil refining. Closer home, IOC is also getting into businesses across the value chain.

HPCL is venturing into a range of downstream and upstream ventures to insulate itself from the ups and downs of refining. The 12 per cent promised return cushioned the companies from cyclical fluctuations of the business,



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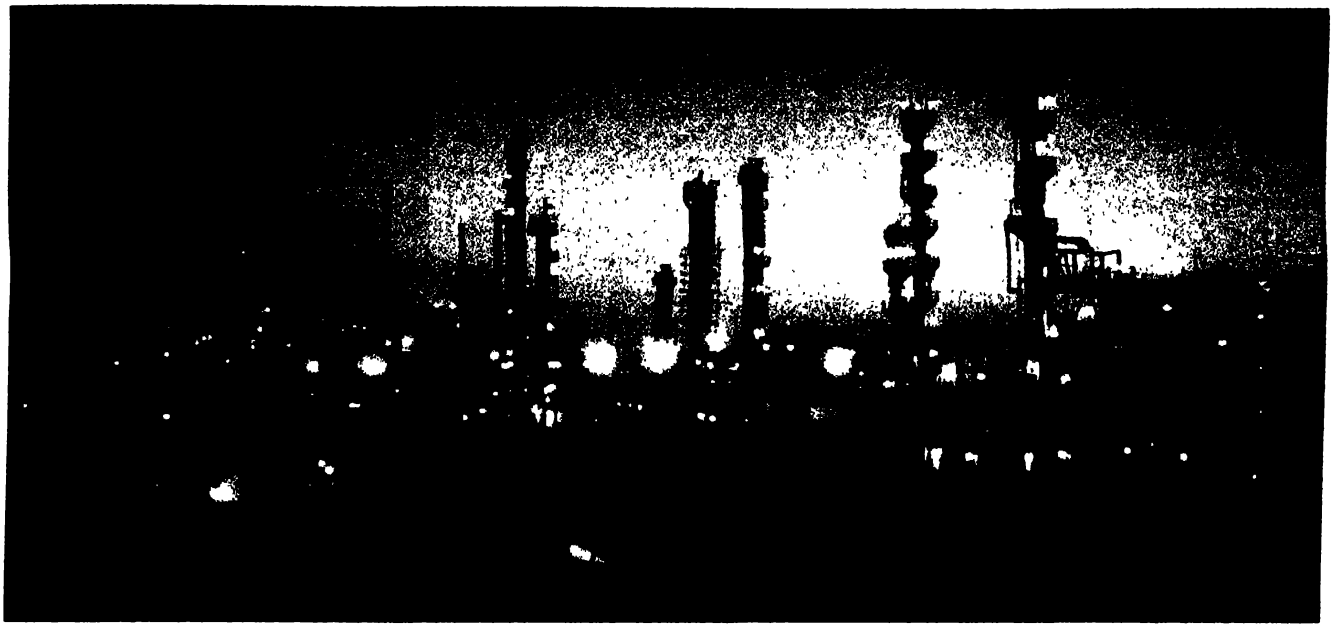
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Enhanced capacities are expected to go on stream this September

but market forces will now be at play. Admits Zutshi, "In the short term, that is in the next two to three years, we will have a surplus refinery capacity in the country."

Further, with the tightening of pollution prevention legislation, enormous amounts of investment will be necessary for making environment-friendly fuel. HPCL has already spent Rs1,500 crore to make cleaner diesel and this is only the beginning. "What needs to be decided upon is whether to make or buy, basically whether to add fresh capacity or invest in downstream projects like pipelines, storage and bottling facilities," questions Zutshi.

Notwithstanding the Punjab refinery project, HPCL's emphasis appears to be on infrastructure-building. The company, therefore does not feature in the government's latest consolidation plan for taking over the stand-alone refineries at Cochin, Chennai, Bongaigaon and Numaligarh. Its plate appears to be full with the 3 million tonne expansion in Visakhapatnam and 6 million tonnes at MRPL, its joint venture partner. Both the enhanced capacities are expected to go on stream this September. This would take production up from 8.7 million tonnes in 1999 to 12.7 million tonnes by the year ending March, 2000. According to R.K. Sukhdevsinhji, managing director of Essar Oil: "HPCL has a tremendous advantage in terms of refining capacity to match product requirements. It also has a favourable geographic spread of its capacity (Mumbai and Visakhapatnam)."

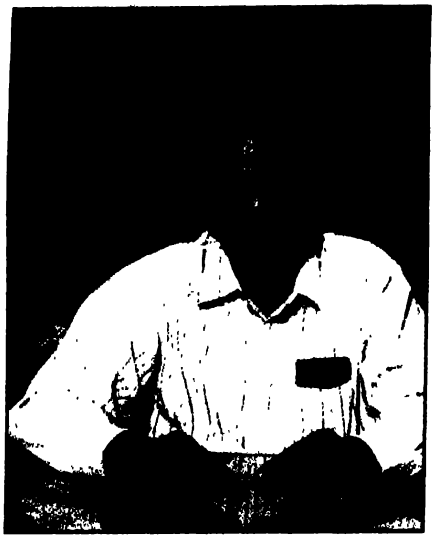
A massive Rs2,000-crore investment in marketing is envisaged over the next three years. This will be financed primarily from internal accruals and short-term loans. While the four SBUs are to exclusively focus on lubes, LPG, retail and industrial are under implementation, new business heads have also been appointed. With 34 years of experience beginning with the erstwhile Esso, Kapoor is at the helm of marketing. Late last year, Arun Balakrishnan, 49, also a career HPCL man, who was general manager-corporate planning till recently, was brought in to kickstart lubes. In April this year, Narotam Puri, 53, also an old Esso hand was appointed as chief general manager-retail.

As marketing infrastructure may well be the cutting edge for the three public sector oil companies, each is trying to strengthen its hold. Nowhere is this more visible than in retailing, where the three companies are constantly outpacing each other with international-style convenience stores called c-stores, service check-ups, outstation phone facilities and now even Internet kiosks. While BPCL was the first to turn market-savvy, HPCL reacted quickly. In fact, at Bandra in Mumbai where both companies have petrol outlets with attached c-stores, HPCL claims to have overtaken its rival site's shop with average daily sales of Rs80,000-100,000 from its own.

It is now considering the launch of a loyalty card which would entitle its customers of fuel to discounts in the "c-stores". Charge cards which can debit bank accounts with just a swipe are also being looked at. Over the next three years, Rs200 crore has also been earmarked for the 200 new outlets on highways called "jubilee stores", which would be built over 3-4 acres of space and offer a range of services. Another Rs200 crore will be spent on upgradation of existing outlets.

The emphasis is on improving profitability. While HPCL's network of 4,300 petrol stations and 1,500 kerosene dealers contributes 60 per cent to its turnover, its contribution to profits is less than a fifth. "In today's context of real estate prices, the returns to the dealers are not commensurate with the space they occupy. Retail-allied activities are one way of attracting customers and enhancing dealer loyalty," reasons Puri.

Not only are petrol and diesel prices controlled, but the government also selects the dealers and decides the basis for fee structures. With constant



Balakrishnan has to put lubes into high gear

government changes in recent years, the Dealer Selection Board has been frequently reconstituted, resulting in a minuscule 2.5 per cent growth in industry network whereas fuel demand has grown exponentially.

All this is set to change with deregulation in 2002. But that also throws up a new challenge as dealers will be free to switch companies. Not surprisingly, one of Puri's biggest goals is to increase the 45 per cent share of company-owned outlets against dealer-owned ones to 90 per cent in the next three years. Competitor BPCL already owns 50 per cent of its petrol pumps, but Indian Oil is more at the mercy of its dealers, who own as much as 90 per cent. Puri informs that new sites awarded to HPCL will either be company owned or leased. Alongside, it is trying to take existing dealer-owned properties on long lease with a few incentives. As the licence fee is controlled, benefits take the form of a facelift or add-ons like c-stores.

Surely, retail is the most visible aspect of marketing, but resources are also being employed in expanding other distribution infrastructure. The Vizag-Vijayawada pipeline is being extended to Hyderabad. An agreement has also been signed with the Gas Authority of India for moving cooking gas from Vizag to Mangalore.

In another alliance with Total of France, a Rs200-crore storage cavern for liquefied petroleum gas (LPG), better-known as cooking gas, will be set up in Visakhapatnam. From its existing import facility at Mangalore, HPCL already handles 40 per cent of the country's imports as it services the throughput of BPCL and IOC as well. Though HPCL's marketshare for cooking gas is currently a quarter, Kapoor is confident of strengthening it on account of its infrastructure. A memorandum of understanding has also been signed with Total for subsequently putting up a similar facility for LPG.

Strengthening marketing is equally necessary for the lucrative lubes business, which makes up a fifth of HPCL's Rs900 crore profit. Since it was deregulated six years ago more than a dozen players have entered the market. From a marketshare of 21 per cent, HPCL is now down to about 19 per cent. Particularly during 1999, HPCL has reported



Enhancing retail profitability is Puri's focus

a drop in lube volumes compared to the 3 per cent increase in the industry. Zutshi attributes the laggard behaviour to a routine maintenance shutdown at the lube base oil refinery at Mumbai for two months. However, he admits that HPCL has been "conservative in discounting to dealers".

Arun Balakrishnan, who took over this January as general manager-lubes, has a two-pronged strategy for his newly-created SBU. One, to expand distribution from the petrol pumps to the high volume *bazaar* trade which has been used by Castrol successfully. HPCL has appointed as many as 100 distributors. Secondly, it has activated research & development. In the next few weeks, it will launch a new engine oil for automobiles and two variants on engine coolants in quick succession. As many as 16 new products, including variants are being readied for launch.



Deregulation can improve profit margins, feels Kapoor

With competition, Balakrishnan expects a shakeout with at least a 5 per cent share necessary to survive. HPCL feels it is better poised as it has the country's largest lube oil refinery, where it uses 60 per cent for in-house consumption. With base oil prices recovering in the last 2-3 months, Balakrishnan is hopeful of enhancing performance this year.

Like in any diversified company operating in a free market, a focus on individual businesses, decentralisation and quick decision-making are necessary. For a Rs27,000-crore giant having thrived in a protected market, this means a complete shift in mindset. Accordingly, the key performance indicators for HPCL executives are also being reworked.

"We've got to get people to think differently. With any sort of change, there is bound to be pressure. I spend a lot of time communicating so that our people develop a proprietary interest in what is happening," says Zutshi. Sure. If HPCL is to hold its rung in a free market with competitors nudging each other, then managing change is a skill which both Zutshi and his team will need to master.

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Shining through

Despite the Search Chem Industries albatross around its neck, United Phosphorus continues to power its way to the top of the agrochemical heap



PHOTOS: SANJAY BORADE

Jai & Vikram Shroff believe in being different

Jai Shroff has jetted in from London where he held a series of confabulations with Novartis who market their products in France. Meanwhile, younger brother Vikram Shroff has also returned to home base — Mumbai — after an inspection of the manufacturing facility at Vapi in Gujarat. Brothers Shroff, director and executive director respectively at the Rs763.8 crore (up 12 per cent from 1998, while the net too showed a 51 per cent ramp up to Rs46.6 crore) agrochemical major United Phosphorus are shaping the destiny of the company as it makes its hurried tryst with the millennium. This is a far cry from the situation 10 years ago when UPL posted a Rs72.2 lakh loss.The days of Greenpeace and MRTP investigations are behind them.

Assisting them in their task is management mentor V.K. Madhav Mohan. Change is the operative word on the third floor of Uniphos House in Mumbai as brainstorming sessions are smoothening the transitionary process under way. The agenda is clear-cut: the directors have to metamorphose into leaders with very clear role definitions. Madhav Mohan is inculcating a new ethos — bottom-up management, leaving the directors free to macro-manage, narrow-focusing on strategy rather than operations. Says Mohan: "This is a need-based phenomenon which will help the company achieve targets. The CMD, Rajju Shroff, and vice-chairman Sandra Shroff will now spend more time on external environment management. All the directors have very open mindsets and this is propelling them to innovate and I guess this is the biggest spin-off."

In fact, as part of this organisational transformation, new personnel have been inducted, so that directors pursuing their new role of systems orientation scrutinise the performance levels of the company across the board. Another case of the family delinking itself from hands on management. As such, over the past one month, a new head of sales (president), Gautam Nagvekar from Marico, CFO Vinayak Purohit also from Marico and Countrywide and president-manufacturing Krishna Srivastava from Goodlass Nerolac have been appointed to infuse new blood and new thinking into the company. The tenets of FMCG brand building are likely to be extensively used in the future. Says Jai Shroff: "We have grown very rapidly over the recent past. Our credo is that we must constantly be different to emerge winners, that has been our bulwark. And it will remain the driving force, hence the process of change."

The blueprint is ready. As Jai Shroff says, "Going forward, by March 2001, we should crack the Rs1,000-crore turnover barrier. Our strategies are in place, we have devised a model whereby 65 per cent of our total sales will come from international operations while 35 per cent comes from India (at present it is 60:40). The building blocks in synch with these imperatives are two-fold. We are looking at acquisitions and increased return on capital. Three regional directors for Asia-Pacific and Africa, Europe and north and South America as part of their business plan are scouting for small companies in Mexico, Philippines and Argentina in this regard."

First quarter results are encouraging though domestic sales were down by 5 per cent year on year. This is primarily on account of the restructuring of product portfolio, focus on formulations rather than technicals and very vitally zeroing in on higher margin products. Net profits for the same period have shot up by 27 per cent to Rs5.87 crore. A staggering 44 per cent growth has been registered in formulations and branded products. International sales too have been done due to the reasons cited above. Jai Shroff is not unduly perturbed about the drop in the domestic or international sales, as he expects a surge in the half-yearly results, cannoning forward by 15 to 20 per cent in operating profit year on year. He says, "We are targeting a 25 per cent topline growth in international markets with 80 per cent of the business being generated by agrochemicals. India too should concurrently see a 20-25 per cent topline growth annually."

UPL is an Indian transnational that has expanded operations across the globe. Europe and the US alone contribute 70 per cent of the total international business. Jai Shroff reckons that the UPL board sensed an opportunity abroad and felt that to be truly competitive, it had to take the MNCs head on on their own turf. He says, "Ours is a specialised business, not a commodity chemicals business. In the 1980s, we discovered that doing business internationally was very profitable. Around this time, we were the leading manufacturer of aluminium phospide (for which subsequently, the company received a US product patent after a two year wait) and there was a huge demand for this product in the US market. It was selling for $7-8 per kg in India, while the price was $20 per kg in the US. This was a great leap forward for us and to tap the potential, we set up Inventa Corp in 1986 in the US."

Similarly, the Shroffs shrewdly preempted the formation of a common European Community market in 1994 by acquiring MTM Agrochemicals in the UK. As international operations manager Rajendra Darak says, "UPL Mauritius was established to manage the international ambitions of the company, it was created as an intermediary to acquire the UK facilities. The name of the game is to constantly re-engineer cost-effective ways of producing organic compounds to create patented formulations and own registrations. At the UK end, we have shut down our Warrington facility as part of our production has moved to India. The other part we have moved to Sandbach for higher operational efficiencies."

But it is not that the domestic market has been relegated to the background. Realising the Government of India's emphasis on agri-nomics, the Shroffs are now offering complete farm solutions as a nodal agency. Remember that the total arable land available in India is more than what China and other Southeast Asian nations have put together. Improving yields is the best way to enhance productivity and farm management technologies are part of UPL's strategic foray.

UPL has set up a chain of 5,000 dealers across the land and is now operating through them, instead of distributors, thereby lopping off a needless 5 to 10 per cent cost input. As Jai Shroff says, "We were in bulk chemicals for a long time, till we ventured into the formulations game in the mid-1980s. We have moved up the ladder to number three behind Rallis and Novartis now. Our goal is very clear, we have to be number one in formulations and we need to offer more to the farmer. And this can be achieved by offering more than just the product, by offering solutions to improve yields."

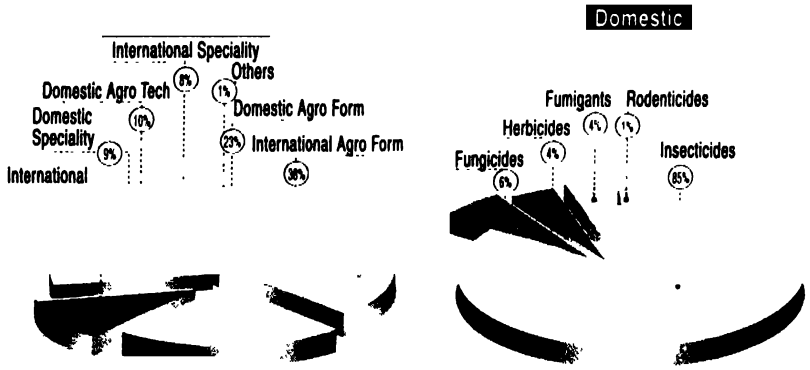
Tying up with the DG Hapase Foundation, UPL is doing pioneering work at its 65-acre Vikram farm in Vapi. Realising that sugarcane is the biggest user of pesticide in Brazil, UPL decided to seek the killer application to make the breakthrough in yield increase. The average yield is 30 tonnes per acre and through the complete solutions package (seed selection, single eye bud, wider spacing, soil treatment, water management, systematic usage of agrochemicals and plant nutrients and inter-cropping patterns which include short 60-day crops like garlic and onion) being offered by UPL, Shroff is guaranteeing a 50 per cent enhancement. And he claims the day is not far when they will be able to record 100 tonnes per acre under test conditions.

Seventeen sugar mills with trial plots accounting for 20,000 acres are replicating this model already in Gujarat and Maharashtra. Impressed by the success, there is now a possibility of the State Bank of India funding this project in other states.

Simultaneously, UPL is involved in enhancing paddy yields in the east-west Godavri region in tandem with the regional universities. A 33 per cent increase in rice production has been observed in this area.

Another key success logged is through the introduction of a sprout suppressant Oorja, a cold storage fumigant which is being widely used by both McDonald's (worldwide) and Pepsi Foods and Mother Dairy at home. Oorja increases the shelf life of potatoes in cold storage and is manufactured at UPL's UK plant. With the foodgrain output expected to touch 200 million tonnes this year, Oorja usage will be exemplified with the government now recommending creation of 20 lakh tonnes of additional storage capacity to prevent wastage of perishables.

GLOBAL AND DOMESTIC SALES COMPOSITION 1998-99



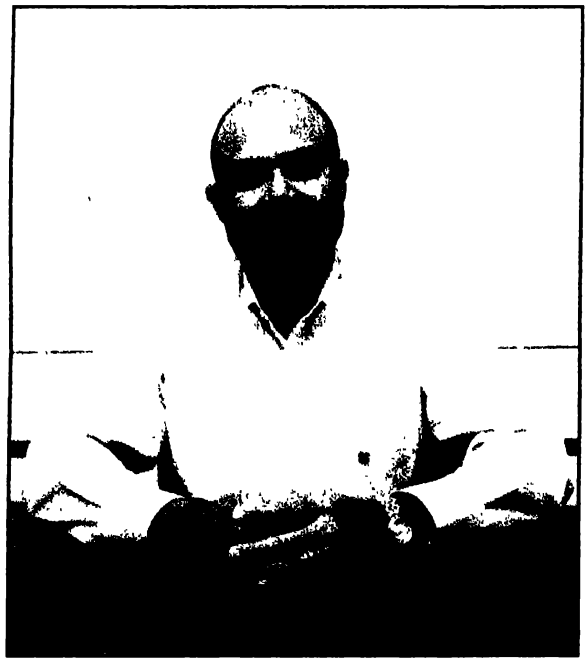
The Indian crop protection market is presently worth Rs3,000 crore, with insecticides contributing 75 per cent, followed by herbicides at 12 per cent and fungicides at 10 per cent. Against this, the global crop protection chemicals end user market value in 1997 was at an estimated $31 billion. Of this generic products alone account for $24 billion. The demand drivers for the crop protection market are the growing demand for food and the limitation of the land available for agriculture the world over. It is believed that even with the use of crop protection products, one third of the world food is lost annually to pests and diseases. Generic and branded products have gained tremendous acceptance as they address specific needs

adhering to stringent quality standards and providing significant revenue enhancement opportunities.

However, with the escalating cost of manufacturing and registrations, a global presence is vital. The US leads with a market consumption of 30 per cent for crop protection products, while western Europe with a 25 per cent marketshare follows. The pecking order next features the Far East with 23 per cent and Latin America with 12 per cent. The rest of the globe accounts for a meagre 10 per cent. To move up the value chain, UPL is constantly expanding its horizons. Insecticides are already contributing to 40 per cent of the international crop protection sales (herbicides contribute 50 per cent), while in India insecticides like Phoskill, Kinadon, Ustaad, Lancer and Viraat account for 75 per cent of domestic sales.

Applied R&D remains the gudgeon as UPL invests in innovative formulations as part of the enabling process to develop registrations and patents. Jai Shroff reveals, "We are spending $3-4 million per year on registrations alone." It remains a thrust area for UPL just as infotech is. Vikram Shroff has just installed a Rs75 lakh PAMA system from HCL Comnet which will enable him to video-conference with his manufacturing plants in Vapi, Ankleshwar, Halol and Jhagadia, cutting down costs substantially. They are also in the process of implementing MfgPro, a distribution software in all the depots. To tighten the belt in recessionary times, a little over a year ago Andersen Consulting with its best practices was roped in as a looking glass to see warts and everything. Shroff says, "We have already saved something like Rs15 crore by examining internal systems and processes, utilities, speed of maintenance at the plants, inventory management, credit control and most importantly by de-bottlenecking the plants."

However, even though the brush strokes on the canvas paint a pretty picture, there is one eyesore which refuses to go away. Jai Shroff calls Search Chem Industries "a millstone around the company's neck". Importance is being attached to UPL shareholder value where Shroff believes they are edging back(since 1 June, UPL has moved from 108.05 to Rs180 on the BSE), providing 18 per cent return presently on net worth, which is expected to be up to 35 per cent three years down the road.



Madhav Mohan's mission is to bring about change

The Search Chem Industries, a 53 per cent subsidiary of UPL story (acquired in FY1995), though of related diversification, is one of a sense of proportion going awry. An IPO at a premium of Rs35 per share (presently Rs13.95) aggregating Rs75 crore was floated in February 1996, Shroff explains, "There was pressure in the board to put up a caustic chlorine plant. Flush with GDR money ($55 million), it was further decided to set up a 50 MW captive power plant. But we didn't anticipate the shift in the view of the state government in the mid-1990s in Gujarat. We built an efficient plant with excess capacity; we still think we did all the right things for the right reasons, but with governments coming and going in Gujarat, there was nothing we could do in terms of policy decisions."

In 1998-99, Search Chem took a beating incurring losses to the tune of Rs74.65 crore, "accumulating a lot of headaches in the process". But Shroff maintains that the worst is behind them, for "the capacity utilisation of the power plant was running below 50 per cent PLF. Finally last August, it began wheeling power to UPL after being granted the necessary approvals by Gujarat Electricity Board. Now the issue is that we should be consuming 38 MW in-house by the middle of next year. Moreover, GEB has given us an undertaking that they will buy 15 MW which will take care of the surplus power generation. Last year also saw a breakdown of both the power plant and the caustic chlorine plant which resulted in a loss of production for over three months. Caustic chlorine prices were at their lowest in a decade, which didn't help matters. Prices have now started firming up to the extent of 15 per cent and we are adding some chlorine based products to our portfolio."

Shroff is clear in his mind about Search Chem breaking even this financial year; this remains the board's priority. To achieve the same expeditiously, financial restructuring of its capital liabilities for reducing its burden of interest/lease expenses has been undertaken. The repayment period of leases from the State Bank of India and the Bank of India has been provisionally extended from four years to nine years. Short term debt has been thus replaced by long term debt, something that most beleaguered companies are trying to do these days. The IDBI term loans have also been rescheduled upto the second half of financial year 2000-01.

The strategy is obvious, increased wheeling of power to group companies and concentration on specialty chemicals exports is expected to turn the albatross into a profitable subsidiary. It is said that adversity brings the best out of the Shroffs, and Search Chem's turnaround is *numero uno* item on the family's wish list presently.

• SANDEEP BAMZAI

For the discerning dresser

Largely known as a middle-class brand, S. Kumars is moving into the premium category of textiles. But will it succeed?

Mumbai-based textile manufacturer S. Kumars Synfabs has been busy of late. The Rs387.5-crore flagship of the Rs700-crore S. Kumars group, has launched an advertising blitzkrieg aimed at sloughing off its polyester image. It wants to reach the top shelf of the textile industry in double-quick time and is spending heavily to reach its goal. "We want to become one of the largest textile players in India within the next five years, and a significant global player within the next decade," declares managing director Nitin Kasliwal. The Kasliwals have targeted a group turnover of Rs1,000 crore by 2001. This growth is going to come from the company's new thrust in the retail area and in the worsted fabrics business.

S. Kumars' focus is to become the clothier to the nation, and hence its objective is to cater for every need, every occasion, and every budget. It is the only textile company that operates in all categories – uniforms, workwear, poly-viscose fabrics, cotton, synthetics, dress materials, and home textiles – all, that is, except worsted fabrics. To give itself an expensive new cut, the company recently commissioned its state-of-the-art Rs240-crore Reid & Taylor worsted manufacturing plant at Thandya near Mysore. The move is aimed at making the company a big player at the top end of the market. "Now with Reid & Taylor, we are more or less on the threshold of becoming a clothier to the nation," says Kasliwal.

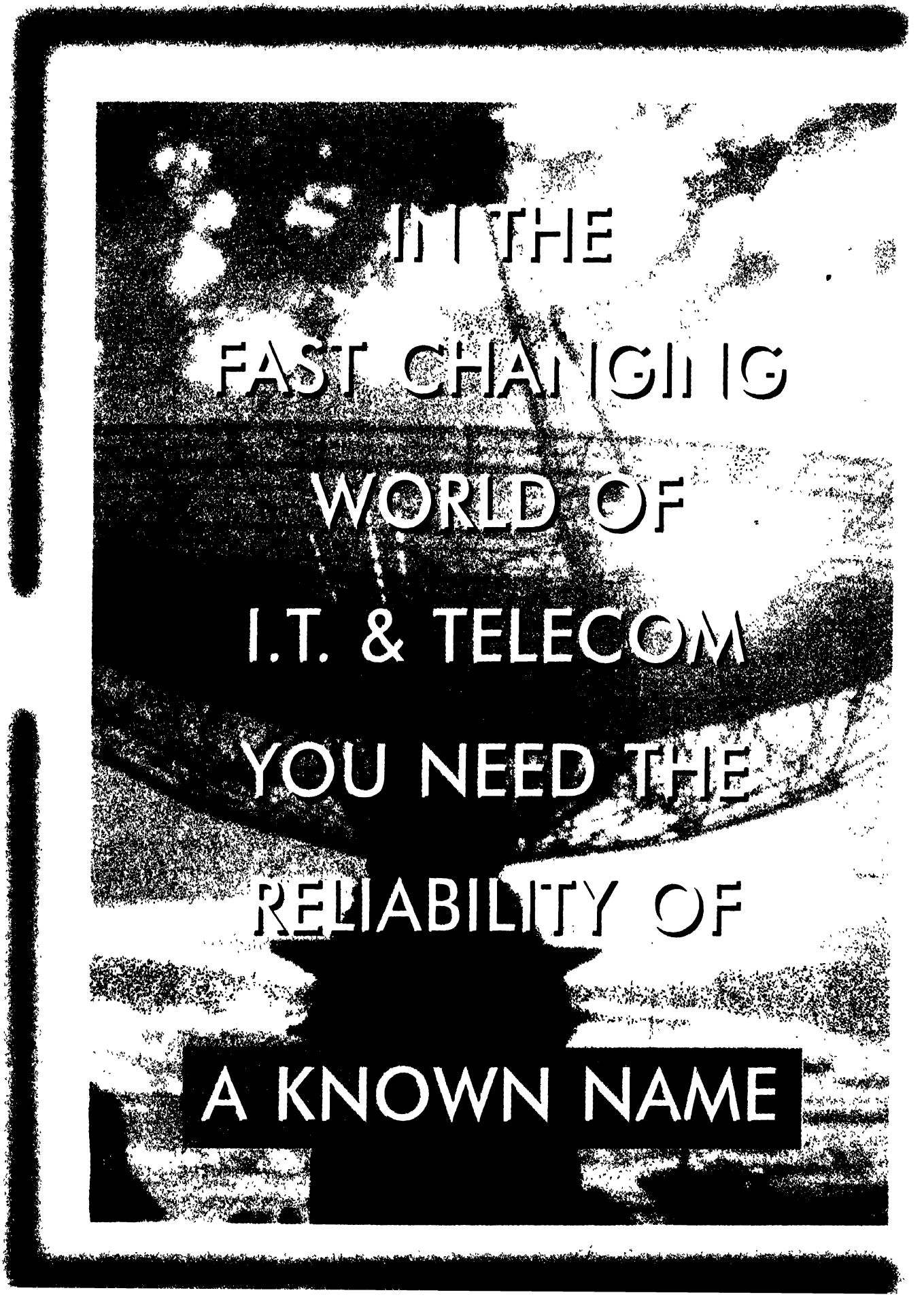
S. Kumars Synfabs has acquired a 20 per cent stake in Reid & Taylor Ltd of Scotland, giving it complete manufacturing control and the rights to the Reid & Taylor brand in India for perpetuity. At least 25 per cent of the worsted production is for the export market. While the Reid & Taylor brand was launched in the domestic market during the recent cricket World Cup, the product itself was launched in the last week of July at a retailers' conference hosted by the company at Mysore. Here Reid & Taylor launched its winter collection, comprising 300 designs.

S. Kumars moved into the premium segment of blended fabrics in 1994. To demonstrate its seriousness of purpose, the company launched a range of worsted fabrics imported from Reid & Taylor and cobranded S. Kumars with a view to making Reid & Taylor a national brand similar to S. Kumars. But what's important is that, as S. Kumars is largely a middle-class, the worsted range is being now launched under the Reid & Taylor brandname. Priced at Rs425–1,300 per metre, the Reid & Taylor product is targeted at a large spectrum of the domestic market. The Rs1,600-crore worsted market is dominated by Raymond, which has a 47 per cent share, and includes OCM, Digjam, and Vimal. "It will be difficult for Reid & Taylor to eat into Raymond's market-share," says Mehul Dedhia, analyst at Mumbai-based Networth Stock Broking Ltd. "More importantly, S. Kumars is trying to change its perception by its advertising strategy," he adds.

Within the textile industry, worsted (woollen) fabrics are like the icing on the cake. The worsted market is estimated to be worth around Rs2,000 crore, growing at a rate of 10–15 per cent per year. This growth is mainly because it is no longer a seasonal business and it is now possible to sell throughout the year. There's sound logic behind setting up the worsted plant in southern India — in spite of the weather, the region is one of the most consistent consumers of worsted fabrics in the country. Hence the maximum sales of all worsted mills are in the south, i.e. in Andhra Pradesh, Karnataka, and Tamil Nadu. Consumption in other cities is mainly wedding-related or climate-dependent.

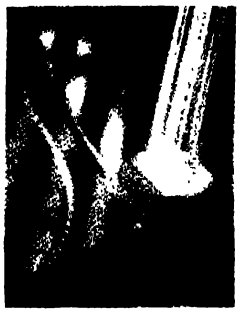
S. Kumars is going all out to associate itself with the premium segment. Its adspend has been increased by 66 per cent to Rs20 crore. James Bond (the



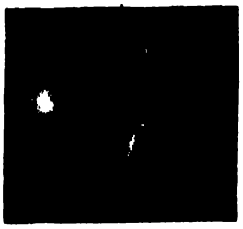

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character and not Pierce Brosnan, the actor) is the brand ambassador for the Reid & Taylor campaign. What this means is that even if the next James Bond movie doesn't star Pierce Brosnan, Reid & Taylor still has a tie-up with James Bond. A marketing tie-up has been established with Paramount Pictures, whereby Reid & Taylor will endorse James Bond and vice versa. Further, Reid & Taylor will be able to use music, stills, clips, etc, from any James Bond movie in its advertisements. The tie-up has been initially confirmed for two years, after which it is renewable if both parties are happy with it. According to the company, the ad campaign has worked well, and there have been customers inquiring about the 'Bondwala' suiting.



SANJAY BORADE

Being a global player means much more than just exporting, says Nitin Kasliwal

The company is faring well financially. At Rs138.7 crore, its sales for first quarter 1999 were up 13 per cent from the previous quarter. Revenue increased by 43 per cent in 1998-99 to Rs387.52 crore, and net profits grew 60 per cent to Rs23.34 crore. Its operating profit margins have increased steadily over the last three years from 8.85 per cent in 1996 to 12.55 per cent in 1998.

Most of the company's growth has come from the zest of the second generation of Kasliwals. S. Kumars started as a textile trading house set up by Shambhukumar and Abhaykumar Kasliwal in 1948. The trading activity continued till 1966, when association with CAFI, a division of ICI, plunged them into branding. A similar arrangement with Madura Mills followed. Over these years, what the senior Kasliwals did was to establish a strong brandname. It was only in 1976 that the company ventured into manufacturing textiles.

An important year in its history was 1978, when the Kasliwals bought Shree Ram Mills, a sick mill in central Mumbai, and succeeded in turning it around. But this very mill suffered a setback because of the Datta Samant strike in 1981. It was only in the 1990s that the group diversified into power generation, real estate, and finance. But textiles has remained the core business. Today the company has manufacturing facilities at 22 locations in the country and a distribution set-up of 30,000 retail outlets nationwide.

Today, in a broad sense, S. Kumars stands for uniforms, workwear, international suiting blends, and, of course, Reid & Taylor. Workwear and uniforms contribute over 50 per cent to the company's turnover. But Nitin Kasliwal expects this equation to reverse in three years' time — although volumes will increase in the uniform and workwear business, the worsted and high-value cotton businesses will contribute more in value terms to the turnover. S. Kumars claims to be the leader in the school uniform segment with a 40 per cent share of the market. Other players include Mafatlal, Binny's, and Bombay Dyeing.

In the workwear segment, the plan is to introduce ready industrial apparel. The idea is to add value for its existing clientele for workwear fabrics — hospitals, airlines, hospitality services, etc. Plans are to create a separate division to manufacture and supply workwear to companies. Service centres to launder and press uniforms and overalls on a weekly or fortnightly basis are also on the agenda.

In the poly-viscose segment, the company has a presence in the lower end (Rs150-250 per metre). International Suiting Blends is basically the company's poly-viscose premium range. Priced (retail) at Rs150-270 a metre, this range is targeted at the middle income bracket. To further strengthen its presence and increase its marketshare in this segment, advertising is being beefed up. "In an era of brands, a well-branded product is in a stronger position in the marketplace than a lesser branded product," says Nitin. Accordingly, Kapil Dev has been introduced as brand ambassador to ensure that S. Kumars maintains its position. He will do much more than just advertise the company's products — he will also be involved in promotional interactions with the retail and wholesale trade.

In recent years there has been a substantial shift from getting fabrics tailored to ready-to-wear — almost 50 per cent in shirts. Since S. Kumars already is a popular household brand, the idea is to capitalise on its popularity by moving into readymades with three or four brands. Plans are initially to introduce a whole range of men's wear including shirts, trousers, jackets, formals, and casuals, followed later by women's and children wear. The company is preparing to ride piggyback on the retail boom in the country.

Its distribution network comprises more than 250 wholesalers and 30,000 retailers, of which 2,200 are authorised retailers nationwide. Plans for the next three years are 200 exclusive stores nationwide selling the whole range of textiles and readymades.

"Our mission and objective for the millennium is to be a leader in every category we operate in domestically and then globally," says Nitin. Towards this end the company is setting up a high-value cotton plant near Delhi with an installed capacity of 16 million metres annually. The Rs500-crore project will be implemented by 2001. The company has recruited Martin Hammerle, a technocrat from Austria, to head the project as CEO. The product range will include cotton knits, cotton trousers, etc. This unit is expected to add Rs350 crore to turnover. Almost 75 per cent of output is slated for exports. "There is a distinct shift from unbranded to branded. And our customers recall our brand," says Nitin. The high-value cotton shirting market is currently divided between players like Arvind Mills, Ashima Textiles, and Century Textiles.

Exports are a thrust area. For fiscal 1998–99 the company reported exports of Rs54 crore, and Kasliwal projects Rs100 crore for the following fiscal. Home linen (towels, sheeting, upholstery, etc) constitutes the bulk of the company's exports. With the addition of high-value cotton fabrics, Kasliwal projects an export turnover of Rs300 crore by 2002. But, Nitin adds, "being a global player doesn't mean only exporting from India. Our aim is to have a substantial presence in the overseas market as well." The ideal way to achieve this, according to him, is to have a marketing arm overseas and source products from cheaper manufacturing countries, such as India. Kasliwal's logic: "A European product commands a higher price than an identical non-European one. Hence, if you want to make money in Europe you can only do it at the upper end of the market; the lower-end is extremely competitive. But to be in the upper end you have to be a European company. By exporting you will be in the lower rung." For now, the overseas marketing network has been strengthened. An international trading company has been established in Mauritius.

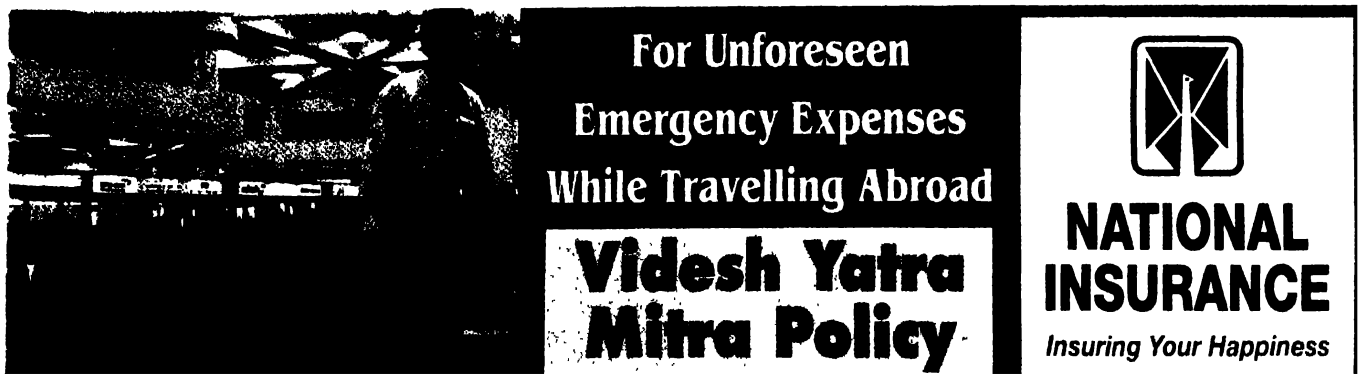
Diversified business

The group also has a presence in power, tyres, and financial services. The 400MW Maheshwar hydel power project already under construction is expected to start generating power in 2001. An investment of Rs300 crore has already been made, and a firm escrow is in place. A total of Rs130 crore has already been allotted for resettlement programmes. The dam will submerge 22 villages, nine fully and 13 partially. Out of the 300 families that will be rehabilitated, 258 have already accepted plots in the New Jalud model village. However, the recent NBA rally has finally made an impact on the Maheshwar project, delaying it by six months. The cost implications are still being worked out. Further, Hermes, the German-government-backed insurance company which provides lenders a cover for political risk, has now become wary of providing support for the project's lenders. "The NBA is trying different tactics to scare away any development in the region," says group director Vikas Kasliwal. Maheshwar is one of the few private hydel power projects that managed to get financial assurance for about $270 million. HVB Bank of Germany was to be the prime overseas lenders to the project.

In tyres, the company mainly undertakes contract manufacturing of Black Cat scooter tyres for Apollo Tyres. This business contributes less the 1 per cent to turnover. However, according to Vikas, "There should be a reason to exit the business and it hasn't given us a reason to exit as yet." From a capacity of 700,000 tyres, the company is expanding capacity to 2 million tyres.

In the financial business, plans are to tap services that will fit in with the company's core competences, such as distribution. This business will initially cater for the company's own needs, but future plans include getting into life insurance. "We have a very strong brand and our image is that of a reliable and strong entity," says Vikas. To keep in synch with the 21st century, S. Kumars plans to provide venture capital for IT companies. As it doesn't have a presence in the IT industry, a separate entity has been set up. The idea is to approach the business from the e-commerce angle. "This is not going to be specific to the S. Kumars group. It will apply to anything that we can distribute," says Vikas. This move is related to the group's plans to enter retailing. A proposed foray into the entertainment business will not be under the S. Kumars brand name. According to Vikas, plans for the company's first entertainment and retailing complex should gel within the next 12 months.

• BHAKTI CHUGANEE



Does it have enough juice?

Enkay Texofood has finally got approval to restructure its business. In the process, its scrip is getting re-rated

Its core activity has made it sore but its other operations are beginning to soar. That in a nutshell is the story of Rs200-crore (in the seven months to March 1998) Enkay Texofood. The Mumbai-based company, which has been in the business of spinning yarn, was a consequence of a merger of Enkay Synthetics. By the end-1980s competition in textiles was at its fiercest and export-oriented units were booming. That was when the company identified agroprocessing as a thrust area. Since then ETL has comprised two division — textiles and food processing.

Though dyed yarn raked in higher turnover of Rs284 crore as on March 1999 (unaudited), processed foods totted up a revenue of Rs125 crore. The unaudited figures put the net loss for the year at around Rs12 crore, but the revenue breakdown shows that, while the textile division incurred a loss of Rs22 crore, the foods division made a Rs10-crore profit. So Tulsi Goyal, managing director of the company, had no option but to spin the lossmaking division off as a separate outfit.



Tropicana is going to make the going extremely difficult for Goyal's juice business

According to Goyal, the plan is to demerge the textile division and then merge it into another group company Avon Synthetics, leaving ETL with just agroprocessing. The foods business comprises three segments — fruit pulp (largely exported to Europe and the Middle East, fetches about Rs50 crore annually), orange juice brand Onjus (a money-spinner, rakes in about Rs60 crore), and Life mango nectar (launched in September last, fetches about Rs15 crore). The two branded beverages are expected to account for Rs100 crore in turnover in the current year.

At the time this report was written the restructuring proposal was given the go-ahead by the inter-institutional committee comprising IDBI, IFCI, and ICICI. The financial institutions had earlier stalled the restructuring move because they apprehended that recovering term loans from the promoter would be difficult. ETL has debt amounting to Rs70-odd crore, more than half from its textile operations. "They (the FIs) wanted to make sure that their comfort levels were high before allowing the restructuring," says a corporate watcher.

According to Goyal, the restructuring process will take about two months. The plan is to allot each shareholder of ETL one free share in Avon Synthetics, an "inactive company", says Goyal, thus taking the latter's equity to about Rs15 crore. "Textiles is a commodity business which is passing through a bad phase. But the industry won't die and if we find a buyer we will even sell it off," he adds. The asset value of the textile division is said to be about Rs80 crore (though the unaudited figures for March 1999 are out, the balance sheet for the period is not yet finalised since the demerger would be deemed effective from April 1998, according to Goyal), but sources say he may not be able to realise even a fourth of the value considering the conditions prevailing in the textile industry.

Though Goyal would like to project a 'single focus' image, the reality, according to market sources, is that he wants ETL to be re-rated by investors on the bourses. There's no denying the fact that Onjus has clicked and part of its success has brushed off on Life, the mango drink. In barely one year the orange drink has become a Rs60-crore product. With brand-names attracting phenomenal values on the stock-market, the timing of the restructuring seems right. Besides, in order to get institutional players interested in the counter, what better way than to project ETL as a company driven by brands?

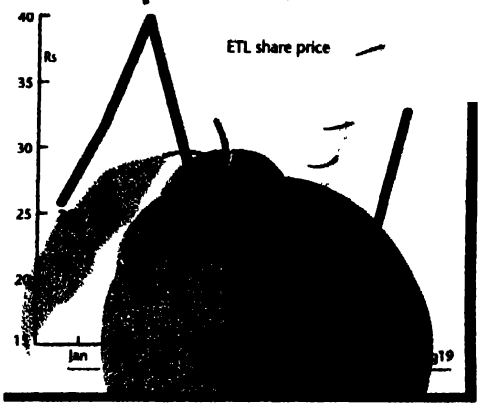
Having tasted success in foods, Goyal has been contemplating expanding capacities. For this he has been planning to place equity privately. However, it is believed that the acquirers, though upbeat at the prospects of the company's brands growing by leaps and bounds, were

not at all comfortable having the textile unit lugging along. Demerge and surge seemed to have been the refrain.

Once the restructuring is in place Goyal plans to raise about Rs43 crore. But he won't talk about the pricing. The proceeds of the placement will be utilised to add four more packing lines to its three existing at a cost of Rs25–30 crore. A couple of lines will be used to make branded sugarcane juice, which he says will hit the market by March 2000. Goyal believes there is a huge market for cane juice. "Several of us would like to have cane juice, which one sees being sold on pavements, but cannot do so because of the unhygienic conditions in which it is sold," he says.

Besides, part of the money raised will be utilised to expand the reach in terms of distribution channels. (The company caters to about 300 towns in India at present and Goyal plans to extend his reach to 600 towns). Retiring part of the debt, according to him, is also on the agenda. But to what extent does ETL's equity get expanded from the present Rs15-odd crore? Goyal reveals that there will be around Rs4 crore of additional capital. If the fresh equity is capped at the said level, Goyal is clearly looking at palming off a fresh offering at a premium of more than Rs75 per share.

Squeezed & eased



The stockmarket has begun revising its rating of ETL scrip. After stagnating at Rs20 for several months, the counter has begun its upward march and had last hit an upward circuit breaker at around Rs30. Marketmen have begun to look at the foods division's past year's performance when it managed to net Rs10 crore. On an equity base of around Rs15 crore, therefore, the earnings works out to Rs6.6. Being a brand company, they argue that the scrip certainly requires a higher discounting than the present five times.

Be that as it may, there's no doubt that, in the short term, ETL scrip is going to continue its upward march. Though Goyal may have a winner in Onjus, he himself does not enjoy a good reputation on the stockmarket, where he is viewed as a "pucca shrewd trader". With world-renowned Tropicana attacking his market, Goyal has a battle on his hands. Will he, as some corporate watchers believe he will, meekly surrender by hawking off his prized brand?

• ROY PINTO

IDBI

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Pursuant to BIFR directives, Industrial Development Bank of India as the Operating Agency (OA) of BIFR, invites offers for takeover/merger/amalgamation/leasing, etc. of a sick industrial company having coal based plant for manufacture of sponge iron. Brief particulars of the company as on December 31, 1998 are given below:

LOCATION	:	District Vizinagaram, Andhra Pradesh
PRODUCT & INSTALLED CAPACITY	:	Sponge Iron 2.2 lakh tpa (2 modules of 1.1 lakh tonnes)
SHARE CAPITAL & RESERVES	:	Rs. 10450 lakh
PRINCIPAL TERM LOAN	:	Rs. 7786 lakh
INTEREST THEREON	:	Rs. 16230 lakh
BANK BORROWING	:	Rs. 950 lakh
ACCUMULATED LOSSES	:	Rs. 15896 lakh

The OA will be guided, inter alia, by the following main considerations while examining the offers: (i) Proven financial, technical and managerial abilities (ii) Acceptability to financial institutions and banks (iii) Willingness and ability to bring maximum amount from its own sources (iv) Minimum possible reliefs / concessions from financial institutions, banks, Central/State Government, etc. (v) Experience in related industries.

The Offers will be evaluated by the OA in consultation with BIFR. The OA reserves the right to accept or reject any offer without assigning any reason therefor. **The proposal may be submitted latest by *September 15, 1999.***

For further details, interested parties may contact: **Shri Inderpal S. Kalra, Deputy General Manager, Rehabilitation Finance Department (RFD), IDBI, IDBI Tower, 7th Floor, WTC Complex, Cuffe Parade, Mumbai - 400 005, Tel.: (022) 2189111 Extn 4590. Fax: (022) 2182562. E-mail: inder.kalra@idbi.co.in.**

VENTURES

Teutonic titan

The world's biggest bank is revving up its Indian operations



PALASHRANJAN BHAUMICK

Downsizing? Rubbish, says Shirazi. Deutsche Bank is in fact expanding in India

In the global banking stakes Deutsche Bank AG (assets: $877 billion or euro 848 billion) stands tall. The German bank's acquisition of Bankers Trust in the US ($135 billion/euro 114 billion) last June for $10.1 billion immediately propelled it to an even stronger position. Even before it swallowed the American bank, it was the biggest bank in the world with assets of $740 billion (euro 627 billion). Of course, the impending merger of three large Japanese banks to create a $1.3-trillion entity would push it to number 2, but it will remain a force to reckon with.

It is ironic then that this banking behemoth should have such a low-key presence in India. Here it has none of the image of the aggressive, expansionist entity that it has internationally. Deutsche Bank is ranked 33rd among the top 100 banks operating in India (as per the *Business India*-Probity ranking done earlier this year on the basis of performance for 1997-98). In terms of assets its ranking is even lower — 41st. It doesn't even figure among the top five foreign banks.

Not surprisingly, in banking circles, Deutsche Bank has been traditionally regarded as a typically conservative German bank. That isn't necessarily a bad thing. As one foreign banker puts it, "Deutsche has always been respected as a player that will not forsake the rule book to cut a deal." Slow and steady rather than fast and loose — that has been the bank's hallmark.

Yet Deutsche Bank, like other foreign banks, seems to have slowed down even further in recent times. Decreasing growth in advances over the last three years and declining profitability - net profit plummeted to Rs49.5 crore from Rs117 crore a year back - have contributed to the impression that it is downsizing its operations in India.

Nothing could be further from the truth, exclaims Javad Shirazi, regional head (India, Pakistan, and Sri Lanka), astounded at the suggestion. On the contrary Shirazi, a career banker who was with the World Bank for 24 years before he joined Deutsche Bank last November, has the mandate to rev up the Indian operations. And he has every intention of doing so, he says. His goals: be the banker of choice to top-league companies in India. Propel the bank into the big league by leveraging Deutsche Bank's global strengths.

These are worthy ambitions to be sure, but one cannot ignore the fact that Shirazi has his work cut out. With the economy just about chugging again, banks are yet coping with the aftermath of the slowdown. Deutsche Bank is no different. The report card for the year 1998-99 isn't exactly rosy. The total income of the bank was virtually stagnant — Rs565 crore as against Rs563 crore a year back. Profitability is down and even fee income from non-fund-based activities like guarantees, LCs, and treasury-related products, the bank's core-competency area, has shrunk to Rs132 crore from Rs159 crore a year back.

Despite all its legendary precautions the bad loans in the bank's books have increased. Provisioning for bad loans more than doubled to Rs37.5 crore in 1998-99 from Rs14.1 crore a year back. The bank boasts a strong treasury operation. But curiously, in a falling interest rate scenario, the provision for depreciation on investments shot up by 60 per cent to Rs1.68 crore. Even public sector banks have fared better on this count, seeing an appreciation in their investments this year. At the same time the cost of deposits have shot up. Although deposits marginally increased to Rs2,128 crore from Rs2,024 crore a year ago, interest expended was higher at Rs213 crore compared to Rs185 crore in 1997-98.

Shirazi's defence is that these are blips; in essence the balance sheet remains strong. For one, reduced profits are because of increased provisioning for bad loans. He attributes this to the economic slowdown, not poor asset quality. Secondly, the bank has made investments in technology and, with this thrust, been recruiting specialists. This has contributed to a higher wage bill. "We are introducing new lines of business," he says. "The reduction in profits is because we are in a transition period. Costs are being incurred now, while the returns will accrue over a period of two-three years — there will be a time lag before the new areas start generating revenues."

When the Asian contagion came to the fore by mid-1997, Deutsche Bank quickly rejigged its strategy. It decided to reduce the number of clients in the Asian region, including in India, and also cut back on fund-based activity.

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Nobody cares as much.

While the bank has consciously reduced its advances in India, it is in every other respect in expansion mode. "Our advances may not have grown, but our assets increased by over 36 per cent to Rs4,452 crore in 1998–99. It's just that the composition of growth has shifted from giving loans to investments," he argues. Investments have grown by over 60 per cent to Rs1,666 crore.

Under the new strategy it wants to provide the full range of financial services. It is positioning itself as a one-stop financial solutions provider — from treasury-related products like currency and interest rate swaps to custodial services encompassing securities lending, fund accounting, and administration to cash management services to private banking, infrastructure financing, *et al.*

As proof he points to the opening of the bank's sixth branch in Chennai in August. Deutsche Bank wants to target thriving companies in southern India in tea and coffee, the IT sector, plastics, textiles, and telecom. But this would be the last of the brick-and-mortar branches, at least for the moment. The reason: with branches in Mumbai, Bangalore, Calcutta, Chandigarh, and New Delhi and a total of 520 employees, the bank is geographically well spread. "We have the technology to cater for our focused clients across India from these centres," Shirazi explains.

As part of its expansion plans in India, the bank set up a primary dealer subsidiary in June 1999. Deutsche Bank has a 75 per cent stake in the Rs60-crore capital of Deutsche Securities India Pvt. Ltd, with the balance held by Star Grain and Shipping Pvt Ltd. The bank also set up a 100-per-cent-owned software company – Deutsche Software India Ltd – in 1992 to develop banking software solutions for itself and other banks.

"We have moved from narrowly focused treasury operations, where we dealt only with buying and selling of foreign currency for corporates, to full-scale treasury services like currency and interest rate swaps, over-the-counter derivatives, and fixed income securities," says India co-head (global markets) Rajiv Baruah. The thrust on treasury operations can be seen from the fact that this division contributed Rs11 crore to the bank's earnings in 1993–94. This went up to Rs60 crore in 1998–99, when it began offering a plethora of treasury-related products, Baruah says. Deutsche Bank was among the first to strike interest rate swaps (IRSs) when the Reserve Bank of India permitted them two months ago. In a span of two months, Deutsche Bank IRS deals have crossed Rs500 crore, the highest by any bank in India, Baruah adds.

"In infrastructure financing we have a significant presence particularly in the area of telecom, where we have fund-based and non-fund-based exposure of over Rs1,000 crore and command a 25 per cent share amongst the foreign banks," adds Carl Saldanha, head of the global banking division (India). Deutsche is looking at a growth rate of 20–25 per cent in infrastructure financing, he says.

Although a late entrant (in 1994) into the custodial business, Deutsche has captured a significant marketshare, says regional business manager (Indian subcontinent and Indonesia) Venkatesh Roddam. To prove his point, Roddam says that, of the BSE market cap of $142 billion, the FIIs' share is $9.8 billion. Of this Deutsche Bank's share is $3 billion. Initially, the focus was on FII business, but now Deutsche is focusing on big Indian institutions and mutual funds. Consequently, it has introduced products like securities lending, fund accounting, and back-office administration for mutual funds.

What has it gained from the Bankers Trust (BT) acquisition in India? Apart from the custody operations, which have now gone to Deutsche Bank, BT had a nominal presence in India with one representative office and 22 people. Moreover, it did not have any loan book and its only activities were non-fund-based and dollar-clearing business in the US for Indian banks. Nor was the Indian venture active in mergers and acquisitions (M&A), a niche area for both Deutsche and Bankers Trust.

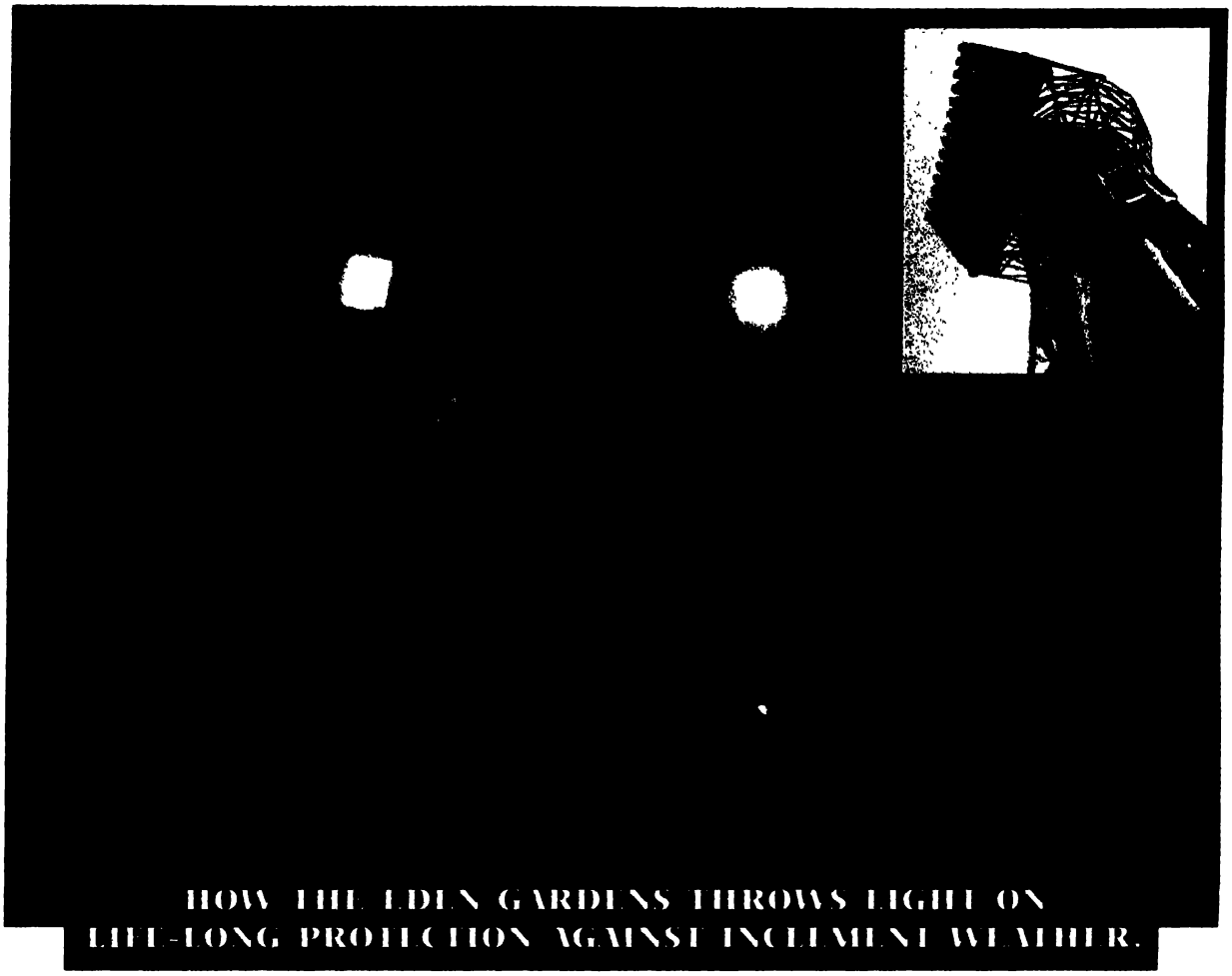
The purpose of the acquisition was to give Deutsche a solid American platform, particularly in the area of investment banking and M&A deals, Shirazi explains. The bank has got control of BT Alex Brown, an investment bank, which was one of the underwriters to Infosys Technologies' American depository receipts (ADR) issue earlier this year. Besides commencing M&A deals, the Indian operations will also look at business from companies planning to tap US markets. "This is the direction of global banking and India cannot be far behind the changing dynamics of banking," he adds.

The next millennium will see the decline of fund-based and brick-and-mortar banking, and Deutsche Bank AG is proceeding in the right direction. But it remains to be seen whether the Indian operations achieve the levels of growth it has done elsewhere.

• ROHIT RAO

Growth or stagnation? You decide *Rs. crore*

	1998-99	1997-98	1996-97	1995-96
Liabilities				
Capital & Reserves	492*	551	434	253
Deposits	2,128	2,025	1,756	1,125
Borrowings	1,478	406	484	280
Total liabilities	4,452	3,272	2,937	1,971
Assets				
Advances	2,858	1,443	1,693	1,128
Investments	1,666	1,829	630	350
Total Assets	4,452	3,273	2,937	1,971
Return on Assets (%)	1.11	3.58	2.08	1.15
Growth in deposits (%)	5.1	15.27	56.01	0.52
Growth in advances y-o-y (%)	98.5	4.96	50.37	20.72
Number of employees	506	444	507	—
Profit per employee	98	215	120	—
* Allocated to H.O.				



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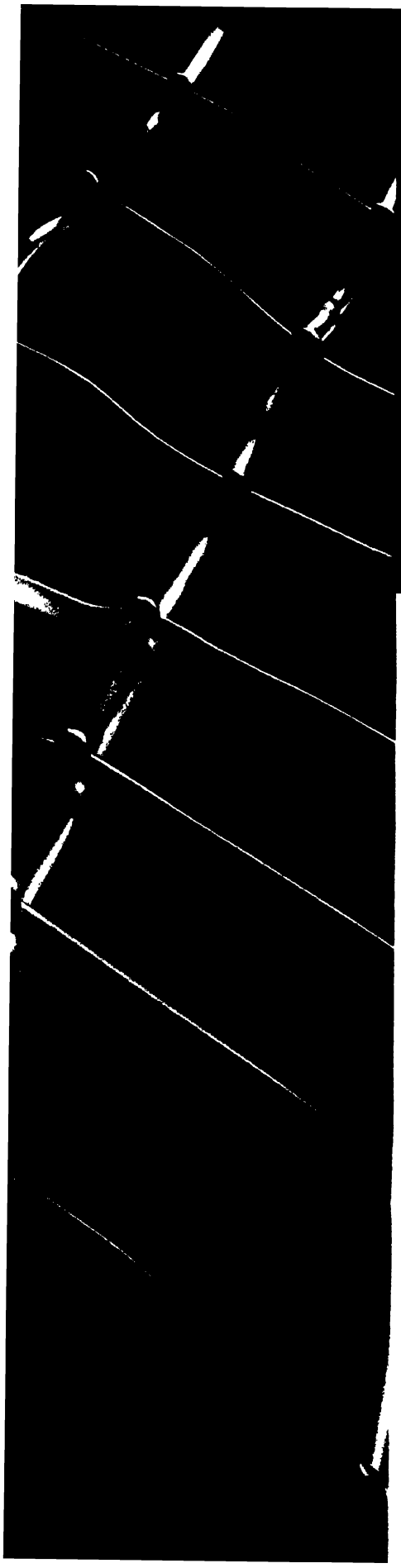
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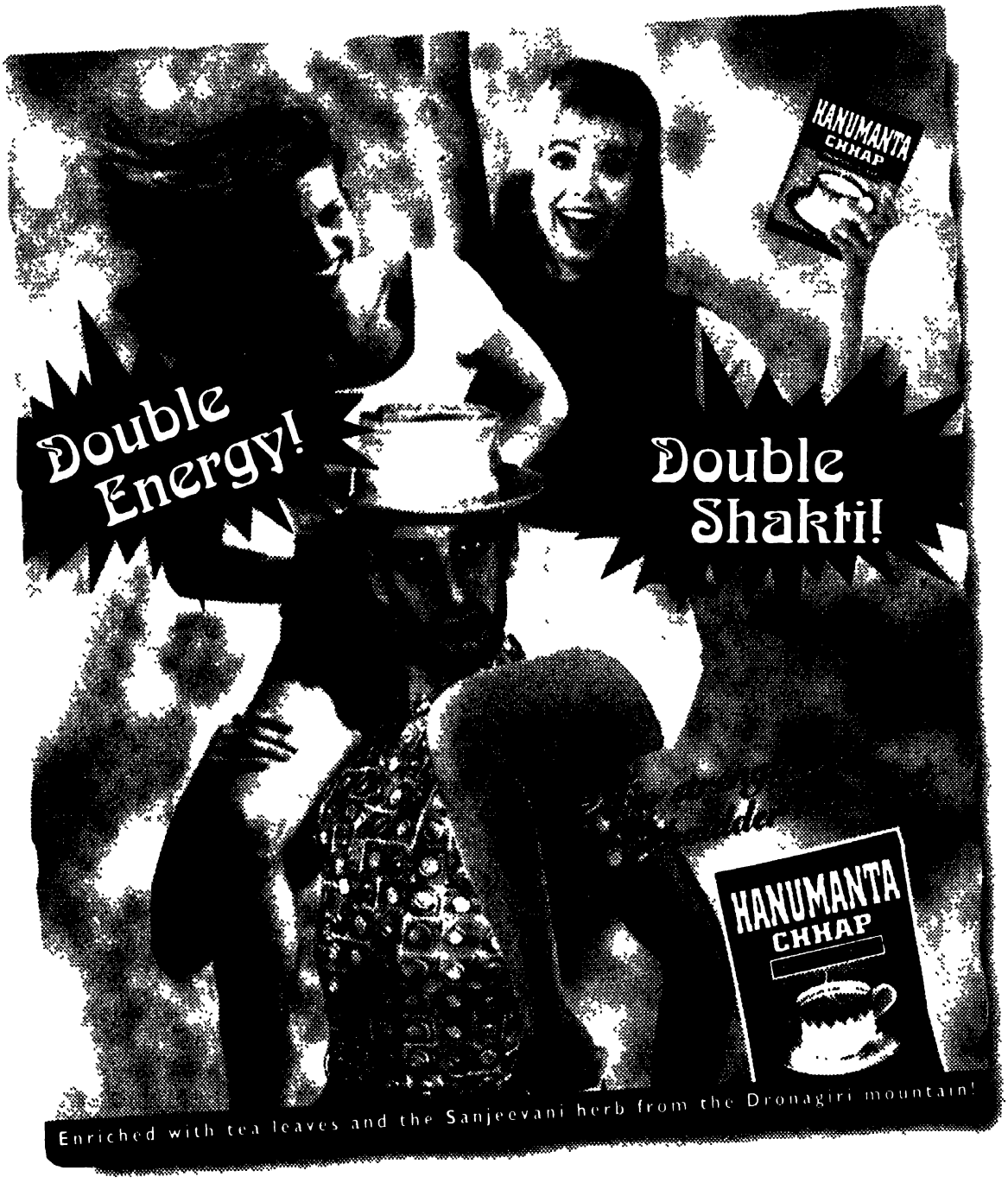
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Steady it grows

What began as a small co-op bank for the Parsi community is today a thriving cosmopolitan credit institution

Mumbai-headquartered Zoroastrian Co-operative Bank Ltd (ZCB) has attained phenomenal growth over the past six years, its deposits soaring tenfold from Rs10.76 crore to Rs101.20 crore and its advances over 25 times from Rs2.01 crore to Rs50.34 crore (*see chart*). The bank's share capital of a modest Rs20.16 lakh has been pumped up to Rs2.26 crore, its 8,087 shareholders gaining a 15 per cent dividend, the maximum permitted under the Maharashtra State Co-operative Societies Act, 1960.

The bank's venerable chairman Jehanbux J. Gandevia, born a year after ZCB was registered in 1927 as a co-operative "credit" bank, says the board of directors applied to the Reserve Bank of India for scheduled status once the co-operative bank's deposits crossed Rs100-crore in the last accounting year. Scheduled status will facilitate RBI licence for foreign exchange transactions, easier letters of credit, and multi-state branches, he explains. The bank has this year targeted advances of Rs65 crore and deposits of Rs130 crore. A qualified chartered accountant, Gandevia joined as director 22 years back and has now been chairman for the past eight years

As its name suggests, the Zoroastrian bank was founded as a communal bank, catering primarily for small depositors from the resident Parsi community. "About 12 years back, slackening business owing to scarce advances prompted the bank's conversion into a cosmopolitan one," he recalls. "If such a step had not been taken, the only option left would have been to merge with another co-operative bank."

ZCB, in fact, did not have a banking licence right until 1994, when RBI sanctioned it one to carry on banking business under Section 56 of the Banking Regulation Act, 1949. This is because ZCB had till then not fulfilled the criteria for such a licence as regards share capital, revenue, profitability, as also deposits, which were less than Rs10 crore. The increase in share capital and reserves now enable the bank to furnish advances of up to Rs2.25 crore in contrast to the Rs10 lakh or less it was till then allowed to.



SANJAY BORADE

Gandevia anticipates scheduled status

Managing director K.H. Taraporevalla traces ZCB's success to several measures adopted over the past six years such as inducting younger bankers with varied in-depth experience, computerising operations which streamlined all functioning, building strong bonds with clients through staff training and motivation, reorganising and revamping all branches, and enhancing payscales that won the union's unstinted cooperation.

Financial highlights

Comparative figures of six years

	31 March 1993	(Rs lakh) 31 March 1999
Share capital	20.16	225.62
Reserves	123.81	960.26
Deposits	1,075.67	10,120.1
Advances	201.00	5,034.36
Investments	40.07	1,967.74
Gross income	152.31	1,305.35
Net income	27.81	309.55

"It is teamwork and not any individual that has led to this success," interjects general manager Farokh Banatwalla. ZCB's inbuilt evaluatory system has reflected in its profitability, he notes. There were only seven employees at the bank's inception in downtown Mumbai's Horniman Circle business district. Today its six branches – five in Mumbai and one in Pune – have 97 employees, translating into total business of around Rs1.6 crore per employee. At the same time ZCB has among the banking industry's lowest non-performing assets, Rs77.87 lakh or a negligible 1.55 per cent of total advances, Rs50.34 crore on 31 March. "The bank is vigilant in recoveries of advances," he stresses.

According to Gandevia, while the bank is committed to the social concept of banking in the cooperative sector, it lists amongst its clientele such majors as Godrej, Steelage Industries, Charak Group, Dai-Ichi Karkaria, J.N. Marshal, Associated Breweries, and Josts Engineering.

ZCB now also has a modern central administrative office close to its main branch and has gained RBI approval for opening three new branches at Mahim, Lokhandwala Complex in Andheri, and Borivli (west). Gandevia mentions that RBI has also granted no-objection for further branches in Thane district and the municipal area of Navi Mumbai.

Senior manager Aspi Katgara observes that all the branches are fully computerised and both hardware and software Y2K-compliant. Computer networking is expected to be complete next year and the bank is installing an ATM facility at its Lokhandwala branch.

ZCB has since 1 September 1998 introduced nonresident external (NRE) and nonresident ordinary (NRO) accounts in rupee currency for NRIs at its Mumbai main, Dadar, and Bandra branches. "They can be opened in the form of savings, current, or term deposits for between 181 days and 60 months," says manager N.G. Paghdiwalla. "Forex transactions are routed through foreign banks and correspondents."

• SAROSH BANA



MUKUL K GUPTA

The author is a senior manager in the financial services practice of Andersen Consulting, India

The art of distribution

In the future, the number of branches will no longer be a determinant of balance sheet growth for banks

One of the four important functions of a bank is efficient and economical distribution of its products and services. The others are risk management, fund management, and product development. The importance of the distribution function can best be understood from the fact that it accounts for more than half of the overall cost structure of a typical financial institution. Till recently the only distribution channel in India was brick and mortar branches. As a result of socialistic considerations in the past, the emphasis of banks, mainly owned by the government, was on geographic reach. However now, with conditions becoming more economically oriented, their managements are becoming more entrepreneurial in their approach. This, coupled with the increasing demands of customers who want more convenience and ease in transactions, has laid the foundation for more economical and efficient distribution channels in the financial sector.

In the future, profitability and the level of customer satisfaction will to a large extent depend on the distribution channels the banks adopt. This would be truer for those that have a retail focus, as success there is partly a matter of managing a wide variety of distribution channels. To retain a retail banking customer it is essential to provide him with anytime/anywhere banking and access to information at his convenience, not the bank's. It is therefore imperative for banking institutions in India to reexamine their existing channels and have a detailed distribution strategy for the future.

There has been a proliferation of distribution channels in the financial sector worldwide. The main ones are branches • agents • ATMs • telebanking • home banking • kiosks • Internet banking • sale at workplace • and supermarket banking.

The main drivers for multiplication of distribution channels are • increased customer sophistication • new technology • the inadequacy of traditional channels to service all customer segments • new entrants who are 'cherry-picking' profitable customer segments using cost-effective channels.

Channels must be chosen which both meet the customer requirements of convenience and ease and at the same time be economical. The only hurdle is that the low-cost channels also tend to be low on personal interaction.

The cost of distribution varies greatly across different channels. A study by a US bank found that while each customer walking into its branch cost the bank $3, a transaction done over the phone cost it $1, whereas an online transaction cost just 5¢. While the cost structure may differ from bank to bank and country to country, the fact remains that progressive migration from high- to low-cost channels benefits the bottomline. Migration, however, is a slow process, one that requires institutions to make a concerted effort to educate their customers through advertising campaigns, provide benefits to customers who migrate, etc.

The trend away from sole reliance on branches is now irreversible. More and more customers today are accessing remote channels to transact their financial affairs. Banks currently operating substantial branch networks need to restructure their distribution systems and approach to improve economics and the same time seize opportunities to serve an increasing proportion of customers without branches.

Branches will continue to remain an important channel; however, their number will shrink and, more importantly, their role will need to change, more towards business origination, selling complex financial products, and away from servicing. The branch system, which largely supports reactive marketing (order-taking), has to get proactive if it wants to survive in the future. Balance sheet growth will no longer be linked to the growth in the number of branches, like in the past, but depend to a large extent on the quality of services provided by the branches.

In India banks have very recently started looking at alternative channels, and are in a stage where they are thinking of expanding rather than rethinking their delivery strategies. The private sector banks are way ahead of their counterparts in the public sector in introducing/experimenting with new channels. In an era of extreme competitiveness, the only way to improve the bottomline may be through the middle line, i.e. the cost of doing business, and this is where the distribution channels will play a crucial role.

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Fresh from Florida

The entry of a global giant promises to stir up India's nascent juice market

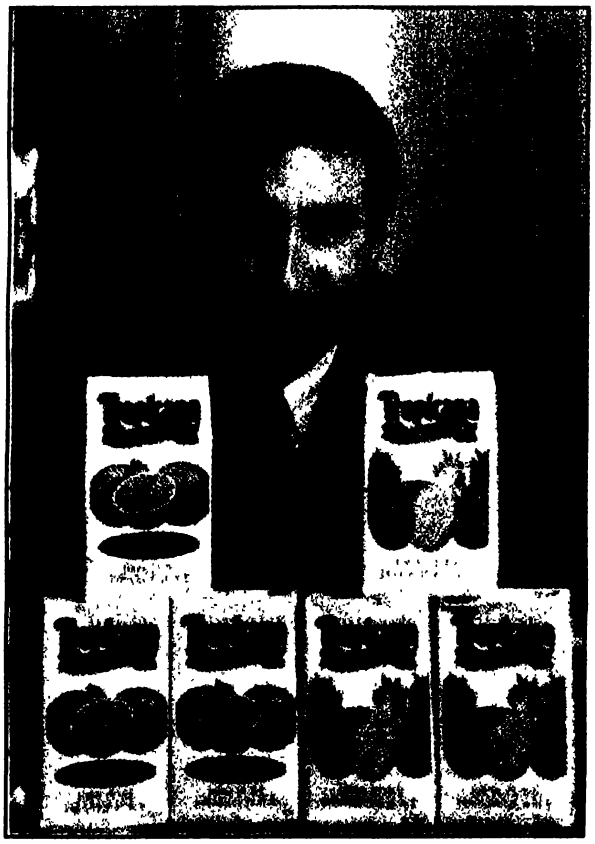
Indian taste buds have proved to be the nemesis of many a multinational that's taken upon itself the challenge of wooing them. Note how Kentucky Fried Chicken and Kelloggs cornflakes, staples in their home country, struggle gamely on here. Yet new, dewy-eyed hopefuls, ever so often, continue to arrive.

The most recent among these is the $2.3 billion orange juice giant Tropicana Products Inc, a division of PepsiCo Inc, which debuted last month in Delhi and Bangalore with two variants – its bestselling orange juice and pineapple juice. Headquartered in Bradenton, the heart of Florida's citrus belt, it is the global leader in fruit juices and thanks to the American juice-for-breakfast habit has a 41 per cent share of the $2.7 billion US chilled juice market.

Refreshingly, Tropicana's take on the Indian market is remarkably clear-eyed. "We're not for a moment assuming that having orange juice for breakfast is a worldwide habit," says Tropicana's president & CEO Gary Rodkin, who visited the Indian subsidiary for the first time last fortnight accompanied by Roger Knight, vice-president and managing director, Tropicana Asia Pacific. "Our positioning in the US is 'start your day with Tropicana' but India may have a completely different pitch. Basically, we'll fish where the fish are."

Presently, the category of branded juices is pretty small, somewhere between Rs80-100 crore, compared to the Rs3,500-crore soft drinks market. But Rodkin, drawing hope from the hundreds of fruit juice stalls that he saw on the streets of Delhi and Mumbai, is convinced that there's a latent thirst waiting to be quenched. He reckons that as disposable incomes rise, so too will the awareness of nutritious, 100 per cent pure juices, causing people to spurn the roadside stuff for hygienic Tropicana tetrapacks.

Orange juice purists had better be warned. Tropicana's bestselling Pure Premium, not-from-concentrate juice won't be sold here – it would cost a bomb to ship out and the absence of a distribution cold chain is another deterrent. The company is importing concentrate which is blended locally under its supervision at Dynamix Dairy Industries' plant in Baramati, Maharashtra. A test market exercise last November in Bangalore under the Dole brand (also owned by Tropicana) revealed that Indians would prefer a sweeter taste. As a concession to this preference, a special orange and white grape blend is being concocted at the research facility in Florida.



PHOTOS PALASHRANJAN BHAUMICK

Rodkin promises 100 per cent purity

Fortunately for Tropicana, Indian made-from-concentrate brands like Dabur's Real and Enkay Texofoods' Onjus have done the groundwork. Until their arrival a couple of years ago, the packaged juice market was stagnating at Rs25 crore. Brands like Noga, Kissan and Druk sold in cans and were not too widely distributed. Most significantly, they were nowhere close to authentic tasting. They sourced orange juice locally and loaded it with preservatives and sweeteners.

The new Indian brands have expanded the market considerably, says Jagdeep Kapoor, managing director of Samsika, the marketing consultancy that advised Enkay Texofoods. He estimates that it's growing at 40 per cent annually, driven by three key factors. People are gravitating towards 'natural' products and with the advent of companies like Kelloggs, the awareness of healthy breakfasts is gradually building up. "Then there's the growth of the white spirits market – vodka goes better with orange juice!" says Kapoor.

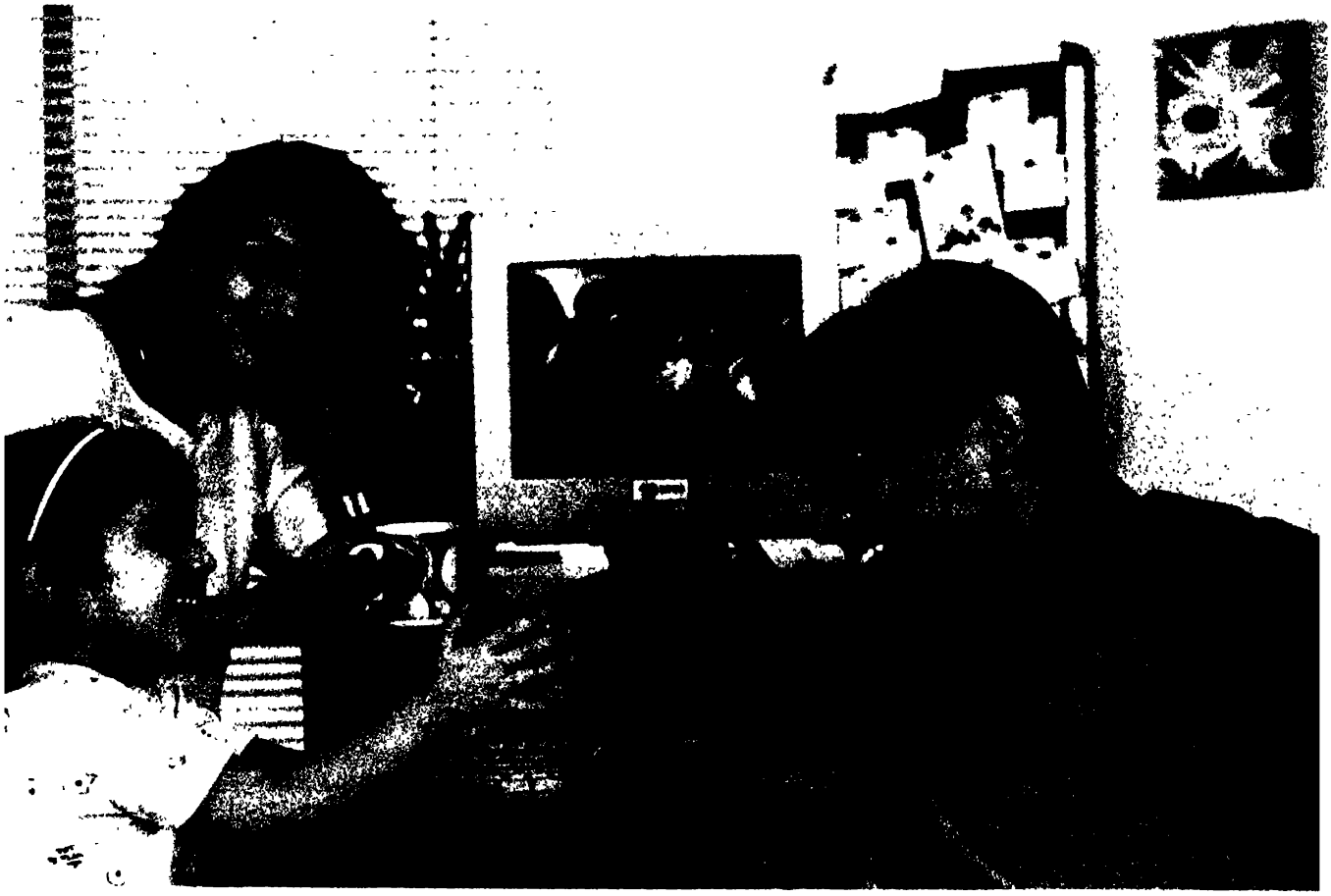
But the Tropicana men say that what's available locally is not quite the real thing. Tropicana juices contain no sugar, additives or any preservatives, so are 100 per cent pure. "The 100 per cent juice category doesn't exist in India. We're going to create it. Also the culture here is of wanting fresh food. We have to convince people that we're 100 per cent pure," says Roger Knight.

Enkay Texofoods' managing director, Tulsi Goyal, doesn't take too kindly to this allegation. He claims that Onjus, with sales of Rs66 crore, has a 79 per cent share of the juice market. Like Tropicana, it is also made from concentrate imported from Florida and Brazil. "The only difference is that we don't write '100 %' on our package. However, if it's juice it's got to be 100 per cent pure or else it would be nectar. They are just trying to cash in on their brand

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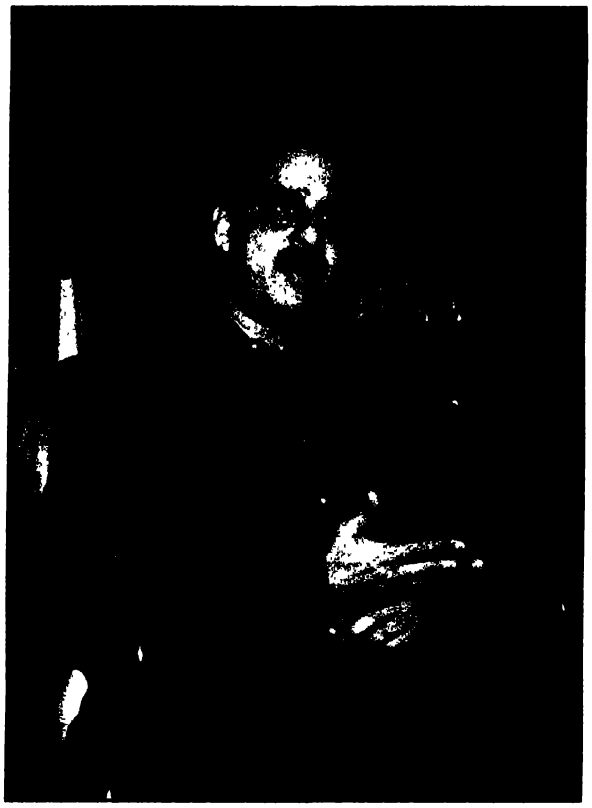
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Tropicana, which derives 80 per cent of its sales from the US, has a modest presence in Asia which accounts for 5 per cent of its business. But that is all set to increase, says Rodkin, and they've identified China, Japan and India as the big growth centres. The company's international drive accelerated in 1995 when it acquired the juice business of the Dole Food Company and also the global marketing rights for the Dole brand of fruit juices. Dole already had a business in China whereas Tropicana's presence was limited to a joint venture in Japan with Kirin.

The company first began fishing around in India in 1996 when it hired ex-Lakme executive Abhay Manglik as country manager and established a 51:49 joint venture with Calcutta-based Keventer Agro. An alumni of IIM, Banglore, Manglik says he was attracted to this assignment as it meant building something new. "Ours is a do-good, feel-good product. It's not a pure thirst quencher; what we're really selling is liquid food."



What we're really selling is liquid food, says Manglik

Problems with the joint venture slowed down the India plans. Then came a global change in the company's ownership in 1998, the fourth time in its 52-year history (*see box*). Tropicana, which was on the verge of an IPO, was sold by Seagram in July 1998 to PepsiCo for $3.3 billion following its acquisition of Polygram. For PepsiCo, juices is a good fit with its soft drinks and snacks business. (There's also the fact that Coca-Cola owns competing juice brand Minute Maid).

Being part of the PepsiCo family brought its own advantages. "Basically, we share the same customers, by which I mean the retail trade. That gives us tremendous leverage in the food service and grocery channel in the US. In India too, Pepsi can open doors for us," says Rodkin. Since Pepsi India Holdings already had FIPB approval for a juice business, it quickly set up a subsidiary, Tropicana Beverages Company which operates out of Pepsi's plush headquarters in Gurgaon, Delhi.

Tropicana has a global sourcing strategy for fruits. It buys apples from China, pineapples from Thailand and the Philippines, oranges from Brazil and Florida – the company picks up 30 per cent of Florida's annual crop. India could figure some day as a big-time supplier too. "We'd love to be able to find oranges here that have a high juice content. That would save us duty, freight and allow us to make some profits!" jokes Manglik. "Unfortunately, Indian oranges are a good table variety but aren't right for processing."

Rodkin wants to expand the range beyond citrus juices to other fruits like cranberry, apple, red grape. In the US, Tropicana has to contend with a host of flavour specialists like Motts apple juice and Oceanspray cranberry juice; but these don't exist in the virgin Indian market. Kapoor feels that might be over-ambitious. "This is an orange and mango market. Period." Rodkin doesn't underestimate the marketing challenge: "We don't expect to make money here and become a $1 billion business overnight. We're not playing a marketshare game but are focused on growing the category in multiples."

• NAAZNEEN KARMALI

Fruity foray

Coincidentally, in the same year that India achieved Independence, Italian immigrant Anthony Rossi began selling gift boxes of fresh fruit to department stores on the US east coast. Encouraged by the response, Rossi, a former restaurateur and tomato farmer, moved to Florida and started supplying fresh fruit slices, aseptically packed in glass jars to New York restaurants. From fruit salad to frozen concentrated fruit juice was the logical step forward for the astute Rossi who invested in an evaporator.

Tropicana

He branded the product Tropicana, a name he picked up from a Florida tourist resort and which he felt evoked 'a taste of the tropics'. Fruit Industries Inc, as the company was called then, was doing roaring business when Rossi came up with his next innovation: chilled, not-from-concentrate juice which was as grove-fresh as a shelf product could get. The company's name was changed to Tropicana Products Inc in 1957 to cash in on its popular brand name.

In 1969, the company had its IPO and was listed on the NYSE. By then it had already begun selling overseas, albeit in a modest way, to markets in Europe. By the 1970s, Rossi was being seriously wooed by companies like Kelloggs, PepsiCo and Philip Morris to sell out. Rossi, then 77, finally accepted the offer of Beatrice Foods in 1978. Eight years later, Tropicana was acquired by Kohlberg Kravis & Roberts which sold it to the Seagram Company two years later. •

How Sony got its groove

In just three years the music start-up has set several records



PHOTOS: PALASHRANJAN BHATTACHARJEE

Singh : "We want to be the most desirable music company"

Stroking a well-cropped goatee and with a faraway look in his eyes, Vijay Singh, managing director, Sony Music Entertainment (India) is waxing nostalgic: "We had this ambitious wish-list. Sure we were naive but we had loads of enthusiasm." He sighs, pulling himself back to the present. Then glancing at the platinum trophies displayed in his cabin, he beams. "It's been an incredible ride. We've surpassed my wildest expectations," says Singh, his eyes now positively shining.

Allow him this moment of self-congratulation. For, in a record three years, Singh and his 'naive' team have put together what is arguably India's most successful music start-up. Having sold some 20 million cassettes to date and with a Rs60-crore turnover last year, the Indian subsidiary of the $6 billion Sony Music, has grown from rank newcomer to the fourth largest player in the Rs1,400-crore music industry. In international music, a segment that represents 6 per cent of the business in volumes, it is top-of-the-pops with a 40 per cent market-share.

The sound of Sony that emanates from every corner of its corporate headquarters in suburban Mumbai, now pervades some 5,500 stores countrywide. That sound includes not just hits from its well-stocked international catalogue — Ricky Martin, Celine Dion, Michael Jackson *et al* — but also what every record company here lusts after: chartbusting Hindi film songs. The Sony label was on the soundtrack of *Kuch Kuch Hota Hai*, Bollywood's biggest blockbuster in 1998. At last count, it had sold 6 million units plus nearly one million units overseas earning its producer Yash Johar an estimated Rs3 crore in royalties.

What's notable is that Sony's global competitors haven't quite hit the high note in India. EMI recently broke off with HMV, its long time partner and is setting up on its own as is Polygram. Virgin which set up last year is new to the game. Warner's contract with Music Today is up for renewal later this year and industry talk has it that it is looking for a joint venture partner. BMG has a joint venture going with Crescendo which is smaller than Sony Music and more low key.

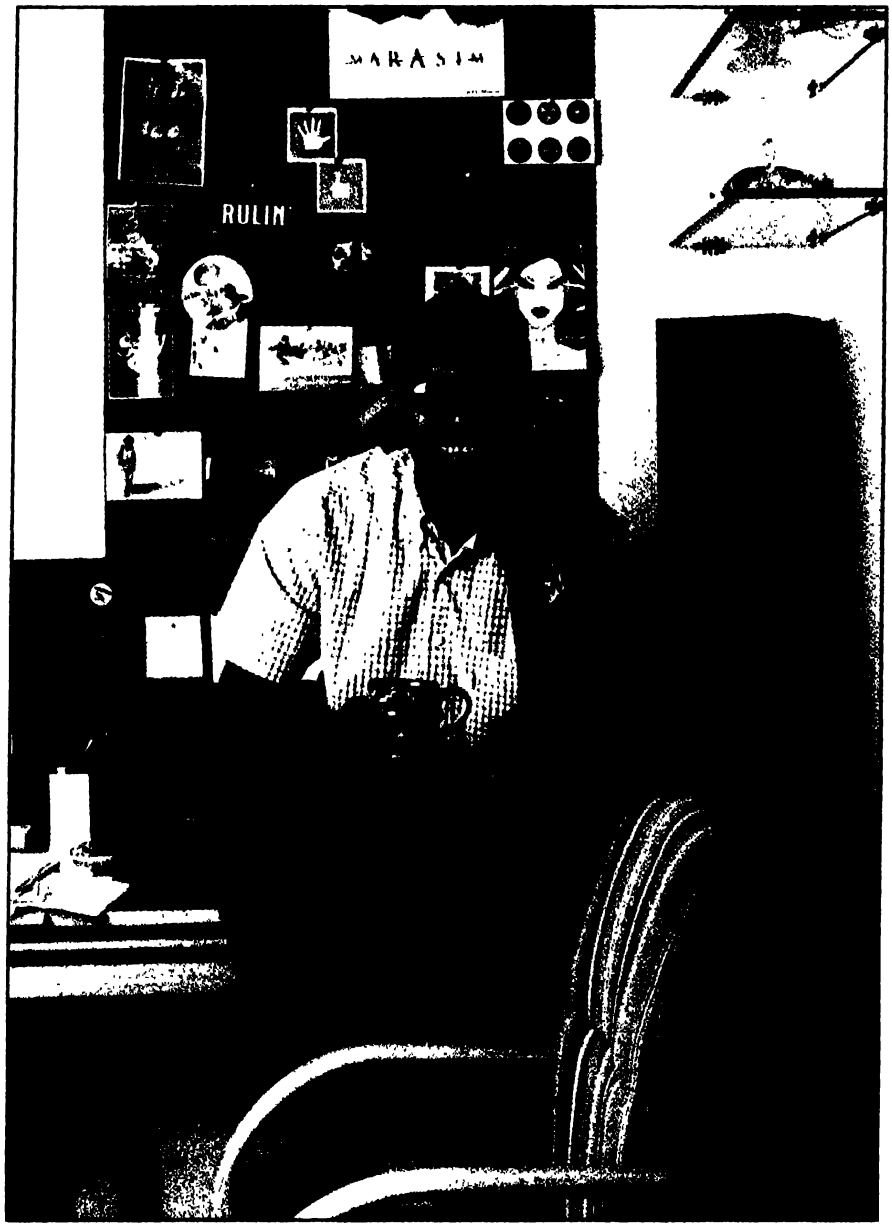
No wonder Singh's boss, Hong Kong-based Richard Denekamp, president Sony Music (Asia) and a frequent visitor here, is over the moon. "India's been a success story for us. Our main objective was to be part of the local music scene and that's not easy to achieve," he says. Equal music for Singh's ears is what arch-rival Suresh Thomas, managing director, BMG-Crescendo has to say: "They've done a good job in getting their act together, particularly in distribution." Adds Shashi Gopal, chairman and managing director, Magnasound India: "Internationally, Sony Music has the reputation of thinking big and doing things with razzmatazz and they've been successful in creating that image here as well."

That's quite a leap from two years ago when industry veterans like Thomas were sceptical about how the young whippersnappers would fare. That was the time when Sony was on the verge of launching A.R. Rahman's *Vande Mataram*, its first locally developed Indian album (it eventually sold 800,000 units — *see table*). He had told *Business India* then: "Sony will learn the hard way, like the rest of us have." But the upstart was hell-bent on changing the rules of the game — how music was packaged, promoted and retailed.

Team effort

Even before Sony could sell a single cassette, it had to sell itself. "All I had was a letter authorising me to set up the company," recalls Singh, an ex-Titan executive whose last job was at Walt Disney. "I didn't have a clue what that would take so I dealt with the hurdles as they came." The first was putting a team in place. The industry had a cheesy image and was reeling under the shock of T-Series owner Gulshan Kumar's gangland killing. But the Sony name drew in people like Shridhar Subramaniam from Titan as marketing head and Rajat Kakar from Procter & Gamble to head sales.

As a conscious strategy, Singh decided to hire young and from outside the industry. The logic: they would bring fresh ideas and challenge the existing paradigms. "The average



Subramaniam says it's a marketing driven business.

age of people here is 26 which makes me at 44 the 'old guy'!" he laughs. With jeans and T-shirt as accepted attire, the culture is informal and exudes a youthful exuberance. TV sets and music systems strategically positioned everywhere give the office an atmosphere of a cool hangout — a perfect setting for out-of-the-box thinkers.

This year Singh & Co went looking for them at the management institutes. Their pitch? "Welcome to the world of sex, drugs and rock and roll!" That went down so well that, flooded with applications, the company recruited four MBAs instead of the two it had set out to hire. "Mind you, we pay fair but not max. The interest only proves that kids these days are exercising different career choices. Also, that our industry is acquiring legitimacy and respectability," explains Singh.

Who wants quality?

Positioning itself on the quality platform was another big gamble. Where subcontracting manufacture was the industry norm, Sony invested upfront — some $10 million — in its own cassette factory with a capacity of 12 million units a year. By next year, it will have a CD plant at the same site, representing a $3 million investment, manufacturing 2 million units annually. Currently, CDs are imported from Austria and Hong Kong and the raw tape comes from Sony Technologies, US. Imports are necessary since what's available locally doesn't make the Sony grade.

"Everyone told us don't make the mistake of investing in a factory — who wants quality? But we felt that creating good music, then having that on a shoddy tape made no sense," explains Singh. Sony upgraded the product inside the box and the box itself opting for transparent packaging rather than the opaque, plastic kind the market was flooded with. Small, user-friendly detailing like having a tear-tape on each cassette and CD and including the song lyrics contributed to an overall 'superior' look. Acknowledges, BMG-Crescendo's Thomas, "Their packaging has stood out."

If the look wasn't cheap, neither was the pricing. Back then Sony's premium

Indian billboard

	(Rs crore)
T-Series	200
HMV	110
Tips	70
Sony	60

Sony's hit parade

	Units sold (lakhs)
Kuch Kuch Hota Hai	70
Dil Kya Kare	10
Vande Mataram	8
Main Kabhi Kabhi	5
Boys	3.5
[illegible]	3

pricing strategy looked bold but iffy. The average Indian music cassette cost Rs25-35 and international cassettes retailed between Rs60 and Rs75. Sony's price: Rs55 for an Indian title and Rs100-125 for an international one. "In three years," says Subramaniam, "the quality-price equation has moved up in the category and I'd like to think that we had some role to play in it."

Curiously, where cassette prices have gone up as companies have rushed to upgrade quality, CD prices have come down. In a bid to push CD sales which account for a mere 2 per cent of the market — the US average is

85 per cent — Sony priced international CDs at Rs485, lower than the market average of Rs550-600. "The consumer perception is that CDs cost 10 times more than cassettes but in reality the multiple is only four times," explains Subramaniam.

Though that's still way above the international multiple of 1.5 times, he's hopeful that the growth in CDs will eventually happen. Prices have fallen and now are in the range of Rs360-485. Earlier, 5 per cent of international music was sold as CDs; that has increased to 11 per cent. Moreover, hardware sellers like Aiwa have begun bundling software (CDs, VCDs, cassettes) with their music systems.

Selling it like soap

It's obvious to even the casual observer, that music is more visible than ever before.

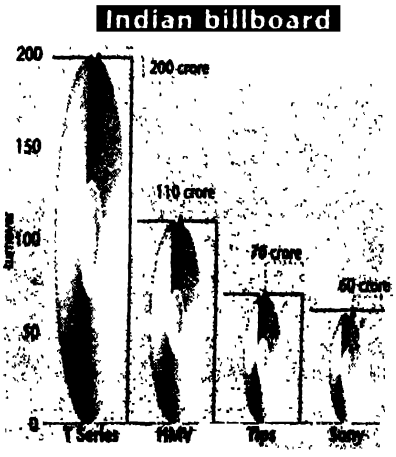
Proliferating music channels, billboards announcing the launch of new albums, rock shows by international pop stars *et al*. Now the emergence of speciality music stores like Planet M in Mumbai and Music World in Chennai makes music more accessible.

What's given Sony an edge in the marketplace is both availability and visibility derived from its extensive distribution network. "There was no infrastructure and the product was simply placed in the traditional wholesale channel," recalls sales director Kakar. "We decided to build our distribution from scratch and sell it like P&G sells soap."

Taking the Procter model, Kakar appointed redistribution stockists in towns with a population of 2,00,000 plus; add to this a network of 100 distributors and 13 warehouses countrywide. A field force of 40 people in four regional offices ensures that the Sony catalogue finds a place in 5,500 stores — the coverage is five times that of competitors. This helps in pushing volumes. For instance, on launch day of *Kuch Kuch Hota Hai*, one million units were released. "The system can absorb such quantities now," says Kakar proudly.

This, points out the head of a music company, has come at a price. Sony is reportedly stuck with unpaid bills from small dealers. "Big record companies don't deal with them as we derive 80 per cent of our sales from main wholesalers who carry the product all the way through." But Kakar says that reaching out to the large mass of retailers has reduced their dependence on the wholesale system — it accounts for only 40 per cent of sales down from 80 per cent earlier. According to Kakar, the numbers game is not going to stop and they will continue expanding retail reach.

Simultaneously, they've been working on persuading existing storeowners to upgrade their premises. One initiative that's been a runaway success was installing 'listening posts' at key stores, the cost of which is shared between Sony and the store. These are fitted with imported Nakamichi systems and headphones and cost Rs80,000 apiece. Kakar says that store promotions too have been at a higher



pitch — from signed posters by rock stars to ensuring that the facings of the cassettes are displayed rather than the spine. All this has added to greater visibility and improved 'airplay' at the store level.

The company has a business development manager whose role is to convince would-be entrepreneurs that music retailing with its 20 per cent margin and 21-day credit period is an attractive business. V.G. Jairam, head, operations and marketing of Groove, the South Mumbai music store that opened in June acknowledges that Sony has been very helpful. "Their sales team is here every day and that gives us a feeling that they're one of us. Sony's approach is very professional and they seem to be ahead of the game," says Jairam. The 6,500 sq ft store is doing roaring business, averaging sales in the region of Rs2.5 lakh daily.

Apart from the store 'push', Sony is laying out big bucks to create consumer pull. According to Shridhar, the annual marketing and adspend is Rs12 crore. "This is a very marketing driven business. The product development cycle is long but the life cycle is short, maybe three months. We're constantly building brands except our brands are human beings who can bite us back!" he jokes. The marketing department has four product management teams and two promotion teams whose job is to give Sony a heads-up in every media where music is exposed.

In international music, where they have a solid back catalogue, Sony has revved up the pace of releases. New albums are launched here in the same month if not the same week, as they are overseas. Subramaniam says that this segment is a no-brainer since all they have to do is roll out an album and cream the market. But in an effort to expand the market and get non-English speakers to buy English music, they've introduced an element of risk: identify acts outside Sony's catalogue that would go down well in India.

They've succeeded stupendously with Venga Boys licenced from Hong Kong-based Avex. This Europop group has turned out to be the season's hottest act. Notching up sales of 3,50,000 units so far, it seems on course to outsell BMG's Aqua, the biggest selling international album to date, claims Subramaniam. In addition to such mainstream pop, Sony has specialist titles under the Jazz and Blues label as well as titles licenced from Walt Disney Records.

Hello Bollywood

While all this has contributed to the gloss on Sony's image, it's the mainstream success of *Kuch Kuch Hota Hai* that's added substance to it. Not long ago, recalls Singh who also heads the artistes and repertoire function, Hindi filmwallahs wouldn't give them the time of the day and quoted absurd prices. Now they are regular visitors to Sony's offices but he's being choosy.

They lucked out with the first album but to continue the winning streak they will cherrypick. "We want to work with a few but the best," he says.

Releases this year include *Pyaar Mein Kabhi Kabhi*, a low-budget film distributed by sister company Columbia Tristar and actor Ajay Devgan's *Dil Kya Kare*. Up next is the soundtrack of Rockford, a film by NRI Nagesh Kukunoor and Bollywood star Shahrukh Khan's home production *Phir Bhi Dil Hai Hindustani*. In this risk-fraught category, Sony has rewritten the rules. Moving away from the industry norm of lumpsum upfront payments, they've cut advance-cum-royalty deals that, they assert, are totally transparent.

The royalty ranges from 3 to 8 per cent depending on how big-time the project is. Singh argues that this arrangement is more of a win-win. "Artistes demand upfront payments only because music companies don't report the right sales figures. With us, they can have no doubts about integrity. If it's a superhit, they make unbelievable amounts of money." But competitors allege that Sony has been outbidding everyone else offering high minimum guarantees. Reportedly, producer Yash Johar played hardball for *Kuch Kuch Hota Hai* and wrested a Rs2.5 crore minimum guarantee.

A category where Sony has made wrong calls and paid the price for it is Indipop or non-film, Hindi pop music. Other record companies too have burnt their fingers in this genre which has somehow not lived up to its early promise. "Indipop has been the industry's biggest lemon," admits Subramaniam. There have been hits like Daler Mehndi (by Magnasound), T-Series' Sonu Nigam and Sony's Lucky Ali, but in essence Indian consumers have been discriminating, turning away from pretty faces and big names if the music is mediocre.

"Our strong music culture has created rigid standards," analyses Singh. "People want someone with Lata Mangeshkar's voice and Madhuri Dixit's looks. Now where can you get that combination?" But it's a genre where record companies have the highest creative control, which is what makes it so alluring for them. In one interesting cross-selling experiment, Sony has placed a song from an album by newcomer KK on the Rockford soundtrack.

Meanwhile, albums like Colonial Cousins, on which Sony spent a packet developing and promoting bombed, knocking a hole in the bottomline. "They've racked up losses of Rs2.5 crore last year when with the *Kuch Kuch Hota Hai* success they should have made bumper profits," says one



Denekamp gives high marks to the Indian subsidiary

source. Singh asserts that they are committed to understanding this category and will keep plugging on, in the hope that it will be profitable in the future. They are aggressive about localising the repertoire and the approach is long term, he argues.

Industry experts feel that developing an Indian catalogue will take a long time and therefore acquisitions make strategic sense. Sony executives say that they are looking at this option. Meanwhile, they have signed a licensing deal with Navras Records, UK which has over 100 titles in live classical music performances. These are sold under the Sony Nad label ('nad' means musical note in Sanskrit) in India. "Classical music is a small but important category, which we have neither the time nor expertise to develop; hence the strategic alliance with Navras. Our long term goal here is to make classical music more relevant for the younger generation," explains Singh.

No doubt he has one eye also on selling such fare overseas where the Indian diaspora is a natural market. Both record companies and filmmakers have recently latched onto this in a big way and are seeing mega-bucks coming in. Sony tasted success with selling one million units of *Kuch Kuch Hota Hai* overseas and it now sees the larger opportunity there. The Sony machinery worldwide provides coverage in 27 countries in both mainstream and ethnic stores. "We get a lot of support," acknowledges Singh. "They realise the potential of the Indian repertoire."

Global record companies are scouting around for the next crossover sensation after the phenomenal rise of Ricky Martin. At the same time, they are grappling with the rapidly evolving external environment. One big change: music downloads on the Internet, record companies are belatedly trying to convert this threat into an opportunity. Sony has partnered with Microsoft for developing a secure digital music delivery system on the net. It's acquired CDNow, its first initiative on selling over the net.

Closer home, the government has announced 150 private FM channels and the retailing boom continues to gather pace. "We'll have to adapt ourselves to meet the challenge of this emerging environment, " says Subramaniam. Other opportunities: to leverage the obvious synergies between TV channel Sony Entertainment and film distributor Columbia TriStar which has FIPB approval to produce Bollywood movies.

Singh has redrafted his wishlist: "We're already a significant player. Now we want to be the most desirable company from the artistes' point of view. I'm convinced that the next Ricky Martin will come from India. After all, we have the music roots and culture," he says, that wistful look creeping back into his eyes.

• NAAZNEEN KARMALI



DIPANKAR GUPTA

The author is principal, Business Ethics and Integrity Services, KPMG

The leopard skin chief

What to look for when choosing an ombudsman for your organisation

The role of an ombudsman is increasingly being appreciated in modern corporate offices. He is supposed to listen to complaints in the strictest of confidence, sift misunderstandings from serious misdemeanours, and seek solutions to grievances in a transparent, rule-abiding fashion.

It is for this reason that ombudsmen are so essential for the maintenance of high ethical standards within an organisation. By performing these tasks an ombudsman keeps communication channels open. This prevents pet peeves from growing into gigantic grouses, protects whistle-blowers, and consequently helps nip potential wrongdoing in the bud.

This is all very well, but who is to be the ombudsman? Many companies employ a person specifically for this purpose. Some others hire outside help. They come in at periodic intervals, do their job, clean up their desks, and leave. The best option however is when someone from within the company is given this responsibility.

The person chosen as ombudsman should have a sterling, almost charismatic, reputation within the organisation. The ombudsman's designation is much like a badge of honour. It is a recognition of the fact that the person chosen is widely acknowledged within the organisation for excellence in a mainstream specialisation of the company. In addition, such a person is also expected to possess valuable people-oriented skills.

The ombudsman too should treat his position as an elevation, even though it may not carry any financial remuneration. Neither should the ombudsman's job be a full-time one. A good ombudsman is rarely a full-time ombudsman. There could be times when he might have to spend longer hours, and there could also be occasions when such a demanding schedule is not required.

There are many similarities between the ombudsman of today and the traditional leopard skin chief among the Nuers of East Africa. The leopard skin chief was not a full-time job either. Ordinarily this person carried on with his life like any other Nuer. This largely meant tending cattle and occasional agriculture. But the leopard skin chief came into his own when there was a dispute and the parties wanted a quick and amicable resolution.

When the leopard skin chief was asked to intervene in such matters he would then don his leopard skin and become something like our modern ombudsman. The discussions would be held in his hut and the decision would be binding on both parties. Once the dispute was settled, the leopard skin chief sloughed off his loose tiger skin and become a Nuer cattle-raiser once again.

For the traditional leopard skin chief to accomplish his role successfully he must be widely accepted by his tribe. Neither force nor fear, but good, solid reputation built over years gave him the credibility for the job. Members of his tribe could relate to him and he to them. He belonged to the same company and in normal times he did what the ordinary Nuer was expected to do.

The Nuer people were somewhat unique in anthropological literature. They did not have any formal government or chieftainship. For this reason anthropologists call the Nuer society acephalous, or "headless". In spite of being without a king, chief, or president, Nuers were able to resolve conflicts amongst them with remarkable ease. The leopard skin chief, who acted as the chief negotiator in all major disputes, did not surround himself with the pomp of office, but functioned largely on trust and goodwill.

Against this background it is much clearer now why an ombudsman can be effective only when the person has an intrinsic legitimacy within the organisation. An ombudsman's office should not strike awe but respect and trust. To be able to freely air your suspicions, anxieties, and fears, and to expect to get some solace, comfort, and solution in return, your ombudsman must be someone you can look up to. You don't want a law-and-order martinet, or an outsider who lacks empathy.

This is what makes the ombudsman seem more akin to the leopard skin chief than to the big boys of HRD or the professional consultant. A successful ombudsman does not depend on traditional methods of coercion, nor on the stated hierarchy, or pecking order, to draw respect. As ethical behaviour functions best on mutual respect and transparency, today's ombudsmen would do well to learn from the ways of simple people in distant lands.

In the final analysis, the ombudsman is the best ombudsman who wears a leopard skin under his pinstripe suit. •

Banian *banias*

West Bengal's hosiery market may have lost its lead, but a handful of companies are doing brisk business



PHOTOS GOUTAM CHATTERJEE

P.R. and K.B. Agarwal are making better margins in knitwear

Credit VIP with bringing underwear out of the closet. A decade ago its controversial advertisements with their macho overtones forever changed the way low-value undergarments like vests and briefs were sold. Since then, ads have turned more in-your-face and retailers don't fight shy of prominently displaying this merchandise. With a national turnover of over Rs6,000 crore, of which branded products account for around Rs2,000 crore, the hosiery industry is on a roll. There are a few big names, but the industry is dominated by several hundred units vying for marketshare. Even top sellers like VIP, Rupa, and Lux find it difficult to wrench marketshare of more than 2–4 per cent.

Think of hosiery and Tirupur is the first place that comes to mind. But the original hosiery capital of India was in the east, way to the east, in West Bengal. While the state has lost its pre-eminent position, it is nonetheless home to a thriving industry that seems to have got a new lease of life with modern, outward-looking entrepreneurs taking charge. Meet the Todi brothers of Biswanath Hosiery Mills. Not such a well-known company, but its Lux brand of undergarments (no relation to the soap of the same name made by Hindustan Lever!) is a best-seller.

Pradip Todi, who runs the business along with brother Ashok, says: "It was the coming of television into every home that really sparked off the idea of advertising and opened up a big market for us. Earlier we had a limited approach to selling; today we are making a name for ourselves internationally." Like every other big player in the industry the Todis believe in the sanctity of quality, price, and above all, high-decibel advertising.

Rupa & Co, which built itself to a Rs103-crore turnover in its hosiery business when it took over an old unit – Binod Hosiery – around eight years back, firmly believes that quality and astute marketing were responsible for its growth. With its slogan *Yeh aaraam ki baat hai*, Rupa today has expanded beyond its bread-and-butter products into ladies' and children's wear. Its marketing gimmicks include offering prize draws for purchasers. Rupa's annual budget for advertising and promotional expenses is around Rs12 crore a year, money well spent considering "the need for survival in an intensely competitive industry", according to director K.B. Agarwal. Agarwal says the next few years should see a shakeout in the industry.

If underwear is going high-profile, part of the reason is because the profile of the industry has changed much since the 1970s. One of the oldest businesses around, most of the pioneering hosiery mills were set up in West Bengal as far back as the last century or the beginning of the present. Till the 1970s West Bengal retained much of

its pre-eminence in this sector, after which the industry's focus shifted to Tirupur, near Coimbatore in Tamil Nadu. Currently Tirupur produces more than 60 per cent of the country's hosiery goods, while West Bengal's share has come down to around 20 per cent; while Tirupur exports more than 50 per cent of its production, West Bengal's exports are just about 5 per cent.

The major reason why the industry has moved away from West Bengal despite its skilled workforce is poor productivity, a quarter of that of Tirupur, where the sweatshops run virtually day and night, in contrast to West Bengal units, where no worker will work more than eight hours a day. "Buyers wanting samples can get them within three days in Tirupur whereas here it takes 15," says Agarwal, who also has a unit in Tirupur. Nevertheless, he points out that Calcutta still represents a major market for hosiery products.

Although both Rupa and Lux look at north India as their main market, Calcutta is fast emerging as the biggest market for children's wear. "Calcutta has replaced Mumbai for knitted garments for children's wear or "baba suits" as they are popularly called, says prominent Calcutta agent Kantilal Sarayya, who estimates the size of the market at Rs50 crore annually, growing at least 20 per cent.

A major reason behind the growth in the fortunes of hosiery units is the changing product portfolio. "Earlier," says Agarwal, "knitwear meant undergarments. Today, T-shirts are replacing shirts in a big way and a lot of garments now use knitted fabrics." Rupa's ongoing modernisation and expansion have cost it around Rs25 crore till date and the company has plans to set up a Rs15-crore unit to develop products exclusively for women and children, including various kinds of outerwear.

"There's a growing market for knitted cotton fabrics," says Agarwal, who believes that only "timely investments in the latest, technology, product, and design can keep his company ahead of its competitors". Rupa has introduced a range in men's casual wear including Bumchums bermudas, trousers, and T-shirts. While basic undergarments don't offer much in the way of margins, shirts or dresses offer margins of up to 20 per cent, which with better cost control can go up further. Sales are further boosted by attractive packaging, which gives a new look to something as ordinary as a vest.



Rupa & Co spends Rs12 crore a year on advertising and promotions such as this one

Nevertheless, the majority of the units stick to manufacturing vests and briefs, which account for about 70 per cent of their sales. Bihar and Madhya Pradesh are big markets for Rupa and Lux, and north India including Delhi and Mumbai, is where the hosiery manufacturers units prefer to sell. The vest a necessary item and popular among workers, whether in the farm or industrial sector, everywhere in northern India

"Price is very important," says Ashok Todi, "as the product must be affordable." According to Todi, the real market lies in the rural sector, which accounts for 80 per cent of the total Indian market, followed by the semi-urban (15 per cent) and urban (5 per cent) markets. While Lux has been a success in the hinterland (it is considered a cheaper product in the branded segment), brands like Gopal have preferred to stick to West Bengal and have cautiously explored other markets. One of the oldest brands, Gopal led the prized brands in West Bengal which include P3, Bapi, and Raju.

D.B. Ghosh, senior partner at Gopal Hosiery, says, "We are a conservative company and fairly low-profile." But this has meant being overtaken by the more aggressive companies in the market. According to Ghosh, rather than rush blindly into the market, Gopal has steadfastly "matched quantity with quality, helping the company maintain its quality throughout its 60 years of existence". Gimmickry such as Rupa's sales promotions won't find their way into Ghosh's old-fashioned office next to his factory, which employs around 400 people. "No compromise on prices or heavy dealer discounts, which remain fixed," says Ghosh.

While such marketing sentiments are slowly going out of fashion, Ghosh has managed to entrench Gopal's image among the more discerning buyers, many of whom buy Gopal vests as a matter of tradition. Although overtaken by brands like Rupa or Lux, Gopal was in many ways the first to introduce quality vests like woolly cots for winter or special double-ribbed vests. Ghosh, a former president of the oldest association of hosiery manufacturers which is still housed in Calcutta's Bowbazar area, laments the state of the industry in West Bengal today.

Ghosh says, that although the situation in the state is improving with more modernising efforts by the existing units, numbering around 2,000, it would be difficult to match Tirupur. For one, banks are vying with one another to lend funds to hosiery units in Tirupur. "In West Bengal," says U.S. Roychowdhury, senior deputy secretary of the Bharat Chamber of Commerce, which has a hosiery association, "efforts are on to assist the manufacturers in every way. For instance, we are trying to ensure that a portion of the Rs2,500-crore-odd earmarked by the textile ministry for development of the textile sector is deployed for the hosiery industry."

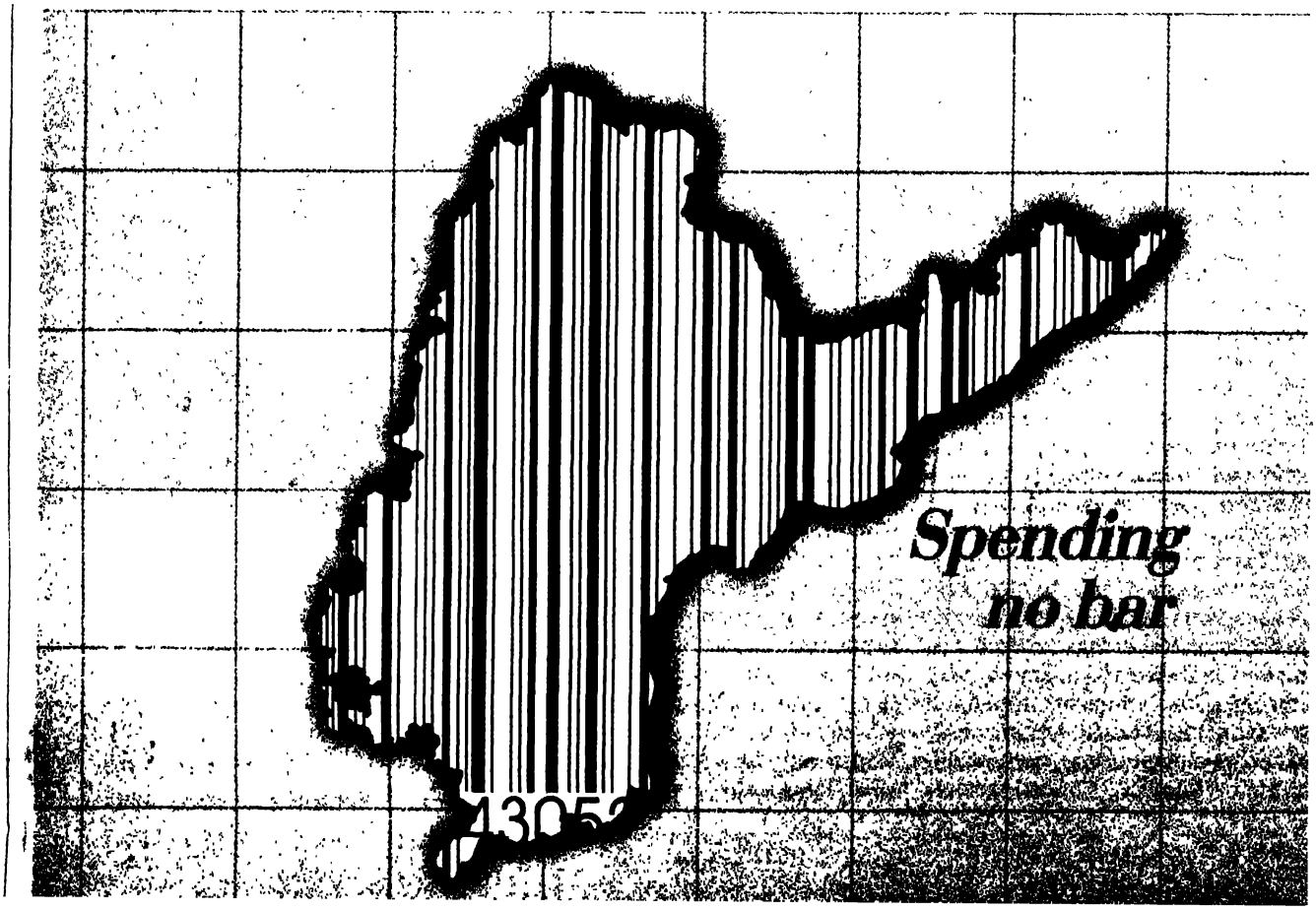
The state government too is trying to set up an industrial estate which would include land for hosiery manufacturers to set up units. A major benefit has been the textile ministry's decision to subsidise interest on bank loans by 5 per cent. Hosiery manufacturers have welcomed the interest rate cut, but say the industrial estate or access to funds are still a long way off. "This is a time for introspection for both manufacturers and government," says Roychowdhury.

Within the industry too the profile of the units are changing. The industry is mainly in the unorganised sector, which has both small as well as cottage-scale units. Some 40 or 50 years back manufacturing involved running an entire operation in a shed. Today, operations are less integrated and more specialised. Bleaching, knitting, processing, and dyeing are all skilled operations undertaken by a few units. Bigger companies at present prefer to source, stamp, and label the products after rigorous testing for quality. Margins are better that way, they say.

The small-scale sector too benefits as smaller, specialised units sell to bigger ones. Small units have a good deal anyway, as they are exempt from sales tax and have lower overheads. For bigger companies infrastructural and marketing expenses are a major drain. Though few companies have been actually able to nurture and sustain brands in this many-tiered market, focusing on brands is justified



Inside Gopal's Jadavpur factory:





the brand for the quality-conscious

in that people even in small towns are veering more towards branded products compared to wholesale goods which proliferate With the crackdown by city administrators on pavement sales and hawkers more buyers are forced to go to bigger stores, at least in the cities

While the growth potential estimated is a doubling of turnover every three or four years, according to Rupa managing director, P R Agarwal "the Indian industry ought to do better In the developed countries like the US or UK, the hosiery trade accounts for 45 per cent of their textile industry Here knitted fabrics and garments account for just 15 per cent "

The business nevertheless faces a major threat from the multinationals "With liberalisation more global firms are likely to come into this sector, ' says Ghosh "The bigger units will survive the smaller units might be driven out At Rupa too there is concern Brands like Jockey, Calida, Crocodile and B&B are already in the market, and the entry of Fruit of the Loom and maybe St Michael, is expected "We have to keep up with productivity, quality, and marketing, as this is the only way we can compete," says Agarwal He further emphasises that the multinationals have enough resources at their disposal to undercut the market and sustain their presence till they notch up marketshare At present, however, Indian brands continue to dominate this particular market

Dissenters however, point out that multinationals will be unable to cut prices drastically as their costs are bound to be higher than those of their Indian counterparts Pradip Todi, who has taken the Lux brand international by registering it in the Middle East, and will shortly be doing so in London as well predicts "The MNCs are unlikely to get beyond 5 per cent of the market, worth a few hundred crores at best They will focus mainly on the urban market whereas the real market will remain in the hinterland The rural buyers are unlikely to be swayed by foreign brands Such are the hopes on which Bengal's hosierywallahs survive

- MADHUMITA BOSE

In Andhra Pradesh, there's no limit to what you can do with money. The administration is pro-business, and the people are pro-spending.

The facts prove it. The state is not only growing faster than the whole of India, it is doing so in all aspects of development.

From household incomes to education levels. And, urbanisation to occupation. What's more, the growth is even more significant in areas beyond Hyderabad. Areas that are beyond the reach of English dailies.

So, how do you do business in Andhra Pradesh? How do you build a bridge between your products and a market of [illegible]

Eenadu pradesh

India's 'most happening' pradesh

Percentage growth: NRS96 to NRS97

Socio-economic classification	A.P	India
A1	31	06
A2	26	18
B	33	07

Urbanisation	A.P	India
10 Lakhs+	27	11
5-10 Lakhs	31	-07

Education	A.P	India
Graduate/P.Graduate	13	08
SSC+but not Graduate	34	07

Occupation	A.P	India
OEBP	13	02
Skilled worker	20	07
Unskilled worker	-08	01



ATUL NISHAR

The author is the chairman of Aptech Ltd and Hexaware Infosystems Ltd

Not just another buzzword

Linux has opened up limitless possibilities for India

Linux, the Unix-like operating system for a wide range of computers, is unique in many ways, the most important being that its source-code — the actual programme instructions written in the C language — is freely available, and the operating system itself is available virtually free. There now are an estimated 10 million users of Linux worldwide!

Linux is gradually beginning to provide an alternative to Windows NT in the corporate world (it's already a hit among ISPs hackers, and technical entrepreneurs). Apart from its low cost of deployment, Linux is popular because it has a reputation of being quite reliable and robust as an operating system.

In India too, interest in Linux is very high, and several corporates (including companies like Reliance, FCB-Ulka, Mahindra Ugine, etc), small ISPs (Pune-based ISP Weikfield Mnemonix, for example) and entrepreneurial outfits (like Quantum Link Communications), have deployed Linux partially or entirely in their IS set-up. There is a Linux user group in Mumbai which boasts of over 200 members.

Linux is the torch-bearer of the "open-source" movement. The success of Linux indicates that the open-source development model has come to stay. Already, companies like Microsoft are sitting up and taking notice, and the trends indicate that open-source could change the way in which software is designed, coded and distributed, right across the industry. Whether open-source extends to general application areas only time will tell, but the implications of this concept for the end-user are far reaching, and there can be significant benefits for the Indian computer industry and Indian corporate user too.

The open-source paradigm is a simple one. The source code of an open-source programme is made freely available to the development community, usually via the Net. The code can be debugged, modified and enhanced by just about anyone, provided that at each stage the new source code is also made freely available. A team of volunteers coordinates the whole effort, and new releases of the programme are made available periodically for free download, or at a nominal charge if the software is being packaged and sold by some company.

Why does open-source make sense? The cost advantage to the user is obvious. But beyond that, it's the robustness and reliability of the software that results from hundreds (sometimes thousands) of brains being applied to the development process. You might well ask, doesn't this happen at companies like Microsoft, which, arguably, employ the best brains? Not always, it seems, because the programmers there are under corporate compulsions to work within certain parameters and commercial considerations. Even Sun Microsystems visionary Bill Joy admits that when source code is given away, it results in innovation that would otherwise be difficult to come by — no matter how many programmers you hire. Further, customers are in favour of the open-source concept because it doesn't tie them in to one single vendor for purchase, support and upgrades.

If open-source software is virtually free, how do the developers and software companies earn money? Through branding, support, system integration and ancillary services. Companies like Red Hat and Cygnus are doing extremely well with their Linux distribution.

Margins may fall, but revenues are there to be picked up by anybody — not just a big company — who develops expertise or innovates in a particular open-source product/system. This model fits in very well with the current strength areas of the Indian software industry. We can use our expertise to contribute to open-source development and then provide integration services and support the world over; there is lesser need to worry about product software marketing — an area in which we have met with limited success so far.

I heard recently that there is a Web site launched by Hewlett-Packard (http://www.sourcexchange.com) where open-source programmers can bid for projects which companies want to give out. The programmers get paid and the code is released into the open-source community. Individual programmers in India could take advantage of this and establish themselves in the open-source world. Better still, Indian software associations (formal and informal) would do well to latch on to this trend and establish India as a powerhouse for expertise in Linux and other open-source areas, through Web sites of our own. The open-source movement is a positive development for India — whether for the Indian corporate/individual user or for the software industry. So let's open our minds and capitalise on it! •

50, not out!

A single-session instruction in finance by a Pune CA nine years ago is now an increasingly popular training course

There are few corporate trainers in Pune who have been as successful as 39-year-old Anil Lamba. He began training executives of companies like Telco, Atlas Copco, Thermax, Alfa Laval, Bharat Forge, etc, way back in the mid-1980s. Today Lamba, a practising chartered accountant with a doctorate in taxation, teaches at reputed institutes like Tata Management Centre and Symbiosis Institute of Business Management, besides being the founder director of his own company called Lamcon Finance & Management Ltd, of which Lamcon Training is a division.

Lamba created a record of sorts in Pune this month, when he started the 50th uninterrupted batch of his 10-week programme called 'Finance for non-finance executives'. In 1990, when he launched the programme, he told *Business India* that it would probably be a one-time effort. But such was the response that he had to repeat it 50 times over and it's still going on. "What's more," he says, "we hardly advertised for this course, and most of the 1,000-plus executives that we got for these 50 batches registered after they had heard of it from those who completed it."



Lamba, the ace corporate trainer

It all started nine years ago, before which Lamba used to conduct a single session on finance for non-finance executives at various companies in Pune. At the end of each session the students would urge him to start a more exhaustive course on the subject, because they felt that one session wasn't enough. "So, when we first launched this programme in 1990, we consciously decided not to take more than 20 executives per batch and to restrict the course to top decision-makers like CEOs, directors of companies, and the like," he recalls.

Accordingly, the timings and days were structured to allow participants enough time to travel and to attend office. The training was held on the first three days of the week from 7.30 am to 9.00 am, so that executives could be in their offices by 9.30 and had four days of the week to travel. In addition, everyone who registered was made a "life member" of the course and if he or she missed a session, they could make it up by joining subsequent batches.

Each day was structured as a module in itself and if the participants happened to miss class, they were not at a loss as they could repeat the programme as frequently as they liked. This concept was a big hit and the subject itself, which many thought would be tedious, was made lively by Lamba's informal style of presentation. "We covered everything that was essential for a non-finance executive to be familiar with, which included topics like reading a balance sheet, its preparation and analysis, profit & loss account, working capital management, fund leveraging, fund-flow analysis, breakeven and marginal costing, stockmarket investments, personal and corporate income tax planning, tax-saving instruments, filing of IT returns, and what have you," he says. That's not all — guest speakers were invited to talk on topics such as international trade, financing schemes of banks and financial institutions, etc.

More than 1,000 key decision-makers, a list that reads like the Who's Who of the Pune corporate world, including the Kalyanis of the Kalyani Group, the Rathis of Sudarshan Chemicals, the Agas of Thermax, the directors of Forbes Marshall, and the Kalmadis of Sai Service, attended the programme. Lamcon has also recently produced two video cassettes *Figure Out the World of Figures*, which have sold in large numbers not only in India but also in the UAE, UK, and US.

Now Lamba, besides his flourishing practice as a CA, has tied up with Crestcom, the leading management training company in the world, and has obtained the franchise for its most popular 'bullet-proof manager' programme, which is being conducted in 55 countries currently. This is a one-year management development programme which teaches 24 basic management skills, like motivation, negotiation, presentation, etc, through 30-minute videotaped talks by world renowned management experts of Crestcom.

The participants have to meet only once a month for four hours. "At each meeting we teach two skills through a 30-minute videotape, followed by a $1\frac{1}{2}$-hour discussion by participants during which they actually practice the skills they have learnt. At the end of the session each participant takes back a copy of the videotape to his company, where he can then train others. We also ask them to consistently use the skills learnt by them for the rest of the month. Behavioural experts will tell you that if you practise a skill for more than three weeks it becomes a part of your personality and we have seen amazing changes in the behaviour of these executives," explains Lamba. This programme has been very popular despite its high cost, approximately $1,000 per participant.

♦ ROOP KARNANI

Mobile cost-savers

Radio trunking is proving a boon for companies with logistical operations that involve the continuous movement of men, machines, material and money

Cellular telephony may be the most popular form of mobile communication in the country today, but it isn't the only one. Now you have a more cost-effective wireless communication system called mobile radio trunking. Pune-based Omnitalk, a part of the Rs2,000-crore Arvind Mills Group, has been operating a radio trunking service in Delhi, Mumbai, Chennai, Bangalore, Ahmedabad and Pune for a year now. It has a base of 2,500 subscribers, which should grow to 6,500 in the current year, and is targeting 25,000 subscribers all over India in the next five years.



Malhotra and Sarma say airtime is practically free

The way it functions is very simple. The operator sets up a citywide communication network consisting of a control tower with a powerful transceiver and antenna that can receive and transmit messages up to a distance of 50 km. Radio trunking in India operates at a frequency of 800 MHz within a bandwidth of 5 MHz, which has 200 channels, each capable of supporting 100 subscribers simultaneously. The service provider is initially given five channels and can later increase the number of channels in multiples of five as his subscriber base grows. The users are not individuals but groups of people like the field staff of a courier company who are continuously on the move, spread out all over the city, and need to remain in touch with their head office or with one another. The user companies have only to buy small radio sets which are either handheld or vehicle-mounted. As soon as a user presses the Talk button on the handset, he automatically logs on to any free path or channel in the network of the service provider and his call is identified and instantly directed either to his head office or his other colleagues, wherever they may be in the city.

Says Vipen Malhotra, vice-president of Omnitalk, "We pioneered the dial-a-cab system in Mumbai, where 75 Cool Cabs are fitted with our radio sets. When a person, say in Bandra, wants a cab, he just rings up the control room, which then broadcasts a message over the radio trunking network. This is picked up simultaneously by all 75 cab drivers, wherever they may be located in Mumbai, and the driver who is nearest to Bandra calls back the control room to say that he will pick up the passenger." This feature – one-to-many conferencing – is not available with cellphones or pagers. Even if all 75 drivers had a cellphone, the person at the control room would not know who was nearest to Bandra. Calling up all 75 individually would be time-consuming, exorbitant, and eventually futile.

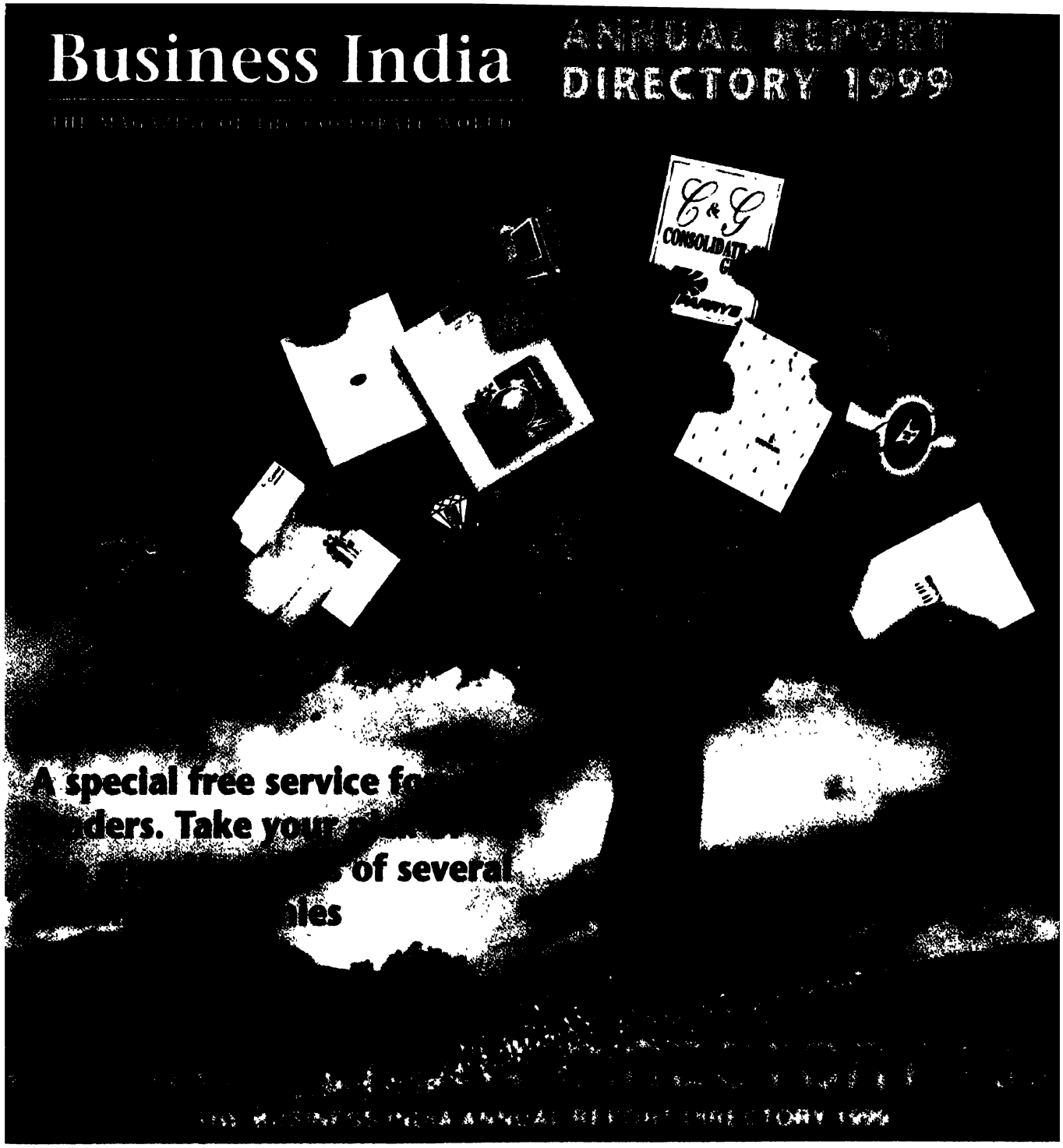
The best part of radio trunking is that the airtime is practically free. The subscriber has to pay only a service charge of less than Rs1,000 a month for which he can talk as often as he wants. "At this price you get hardly 10 pager messages a day, or just 5 minutes on a cellphone per day," says GM Chandramouli Sarma. According to him, Omnitalk has worked out the cost savings for Blue Dart, a courier company and found that, if it switched from pagers to radio trunking, the saving on telephone calls itself would pay the cost of the radio handsets in six months. The handheld and vehicle-mounted radio sets that Omnitalk offers cost upwards of Rs16,000 per subscriber.

Omnitalk's customers include Sony India, Mahindra Ford, Chennai Port Trust, First Flight Courier, Sahara Airlines, etc. N. Norimatsu, GM of Sony India, says: "Omnitalk's mobile radio service has enabled us to attend to 30 per cent more service calls."

Other operators like Punwire, Arya Communications, and Bhilwara Telenet compete with Omnitalk in the eight cities, but none has a network as flexible and that offers as many features as Omnitalk. "For example," says Malhotra, "most of the other networks use only Motorola or Kenwood sets, while we are the only ones who offer a choice between E.F. Johnson, Motorola, and Kenwood." Besides voice communication, Omnitalk's system also offers data transmission and permits such advanced features as automatic switching-off of lights, setting-off of alarms, etc, using the radio network.

"In the near future," says Malhotra, "the government may allow us to interconnect our networks with PSTN landlines. If that happens it will be possible to make telephone calls from a radio handset."

• ROOP KARNANI



ADANI EXPORTS LTD

Adani Exports Limited

Adani Exports Ltd (AEL), the flagship company of the Rs3,000-crore Adani Group, has emerged as a global trading company, clocking 42.7 per cent and 37.8 per cent growth in total income and profit respectively in the last six years. It is the highest forex earner in the public sector. Turnover for 1998–99 was Rs2,188 crore and gross and net profit were Rs96.46 crore and Rs65.69 crore respectively. In the first quarter of 1999–2000 the company achieved a turnover of Rs533.6 crore and net profit of Rs16.3 crore. It has also announced a bonus in the ratio of 1:1.

BAJAJ ELECTRICALS LTD



In its diamond jubilee year, Bajaj electricals has registered an 8 per cent increase in turnover to Rs338 crore during 1998–99. High interest costs coupled with VRS expenses put pressure on margins (the PAT was Rs5.35 crore), but the company increased its dividend by 5 points to 35 per cent for the year. With the introduction of new/upgraded products and the commissioning of projects such as the wind farm, the performance of the company will improve in the current year.

BALMER LAWRIE & CO. LTD 3

Balmer Lawrie has a diversified portfolio of businesses in the fields of lubricants, chemicals, packaging, containerisation, cargo, travels and tours, project consultancy, tea exports, and international business. It enjoys leadership in barrels and grease manufacturing activity. The company has undertaken a comprehensive business restructuring plan to combat market competition. In the past year it achieved ISO certification for most of its facilities, besides executing turnkey projects for some public sector undertakings.

BHARAT HEAVY ELECTRICALS LTD 4

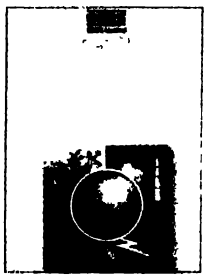
This public sector *navratna* has a wide spectrum of products and services for core sectors like power, transmission, industry, transportation, renewable energy sources, oil & gas, and telecommunications. It has exported products to and established projects in over 50 countries. The company has consistently made profits since 1971–72 and paid out dividends since 1976–77. The provisional results for 1998–99 include net sales of over Rs6,987 crore and a gross profit of Rs1,096 crore.

BHARAT PETROLEUM CORPORATION LTD 5

Bharat Petroleum

Bharat Petroleum Corporation Ltd, the second largest oil marketing company in the country, performed impressively in 1998–99, achieving a gross sales turnover of Rs25,649.8 crore, 23.9 higher than in the previous year, and a net profit of Rs701.3 crore, an increase of 31.7 per cent. This translates into an earnings per share of Rs46.75 as against Rs35.51 in the previous year. Its refinery at Mumbai, one of the most technologically advanced in the country, processed a record crude throughput of 8.94 million tonnes. BPCL has recommended a dividend of 125 per cent amounting to Rs187.5 crore for 1998–99.

BSES 6



BSES, India's premier power utility, is engaged in the generation, transmission, and distribution of power in and around Mumbai and, with its subsidiaries, supplies electricity to more than 2.7 million consumers covering an estimated population of 34 million. It operates a state-of-the-art 500MW thermal power station at Dahanu. BSES also provides a portfolio of added-value services in electrical contracting, EPC contracts, and computer services. The company is currently co-promoter of several power projects in various parts of India.

CITICORP INFORMATION TECHNOLOGY IND. LTD 7

CITIL

CITIL, an affiliate of Citicorp, provides a wide range of sophisticated and integrated software solutions for retail, corporate, and investment banking, and mutual funds, using current technologies such as data warehousing and the World Wide Web. The company is a global player — over 200 financial institutions in 60 countries are its customers. It has been growing at a compounded annual growth rate in excess of 50 per cent, with revenues of Rs143 crore for fiscal 1998–99. An SEI CMM Level 4 company, CITIL is the first banking and financial software company in the world to achieve this distinction.

COLOUR-CHEM LTD 8



Colour-Chem Ltd, a group company of Clariant, Switzerland, has reported a 35 per cent rise in operating profits for 1998–99, with healthy growth in all its core businesses. Sales of the cellulose ethers & polymerisates division grew by 27 per cent, leather chemicals by 16 per cent, and pigments & additives by 9 per cent. Local sales of the fine chemicals division registered a substantial increase of 26.5 per cent. Net sales for the year were Rs296.32 crore. The board has recommended a 65 per cent dividend.

DABUR INDIA LTD

'eponi

Dabur India Ltd, one of the leading FMCG companies in the country, recorded a turnover of Rs914.77 crore and net profit of Rs50.1 crore during 1998–99. The company has been growing at a rapid rate and its well-known brands command substantial brand equity. With a view to taking on the challenges of the new millennium, the company undertook a major restructuring exercise which has led to greater professionalism, greater focus on its core competence, and a higher level of efficiency in its operations.

DSQ SOFTWARE LTD 10

DSQ

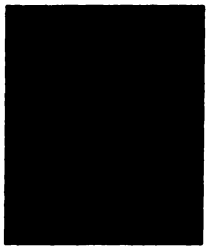
DSQ totted up a turnover of Rs224.32 crore during 1998–99 — 92 per cent higher than in the previous year. During the year it strengthened its customer orientation by shifting its delivery mechanisms from platform- to industry-specific solutions creating seven separate lines of business groups. The company also focused on developing expertise in key technology segments and formed two separate groups to deal with emerging technologies — one for Web-based applications and the other for data mining solutions. Visit www.dsqsoft.com

MADRAS REFINERIES LTD



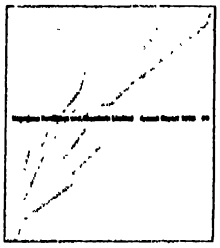
Incorporated in 1965, MRL went onstream in 1969. It has a total refining capacity of 7 MMTPA, or approximately 12 per cent of the total capacity in the country. MRL has an excellent performance record with profits right from the second year of operations and dividends paid from the third year. Turnover for 1998–99 touched an all-time high of Rs3,747.39 crore, and profit after tax was a record Rs204.93 crore. During the Ninth Plan period MRL plans to implement a number of expansion/diversification projects with a total investment of over Rs3,500 crore.

MODI XEROX



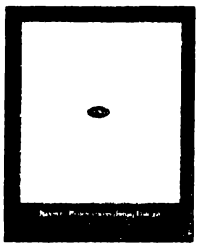
This joint venture between Xerox and ModiCorp was established in 1983. It manufactures and markets a range of document processing products and solutions for customers in India. It is the undisputed market leader in copiers, engineering plan printers, high-end printing systems, document production systems, and copier paper supplies, is also the leader in the organised fax market. The company has established the industry's largest service and distribution network across the country. A fully integrated manufacturing facility at Rampur manufactures and exports copiers, special materials, and consumables. Modi Xerox is rated No1 in the industry in customer satisfaction.

NAGARJUNA FERTILISERS & CHEMICALS LTD



NFCL, the flagship of the Nagarjuna Group, has reported a turnover of Rs1,214.54 crore and a net profit after tax of Rs143.74 crore. The dividend has been enhanced by two points to 20 per cent. With successful completion of the second phase of expansion it has emerged as the largest manufacturer of urea in south India.

NAVNEET PUBLICATIONS (INDIA) LTD



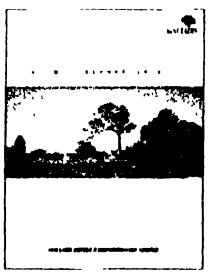
Navneet Publications, a leading educational publisher with more than 2,400 titles, posted 37 per cent growth in profit after tax for the year ended 30 September 1998, to Rs17.75 crore compared to Rs12.88 crore the previous year. The company has a liberal dividend policy and has stepped up dividend payment to 45 per cent from 25 per cent paid in the previous year. The company has franchised five showrooms and plans to franchise 10 more by the end of December 1999. It has decided to foray into electronic publishing by converting its existing titles and creating new titles on CD-ROM.

POWER FINANCE CORPORATION LTD



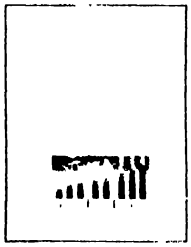
Established in July 1986, PFC has emerged as India's premier development finance institution, continuously rated in the highest category by the Government of India for its overall performance. The corporation has been accorded 'sovereign rating' by international credit rating agencies Standard & Poor's and Moody's. The year 1998–99 saw disbursements at Rs2,479 crore, a record 22 per cent higher than the previous year, and profit after tax of Rs546 crore. The corporation boasts a recovery rate of 99 per cent with zero NPAs. It paid out Rs106 crore in dividends for 1997–98.

SINCLAIRS HOTELS & TRANSPORTATION LTD



Sinclairs Hotels & Transportation Ltd is engaged in the business of hotels and travel agency. It owns four-star hotels in Siliguri, Darjeeling, Port Blair, and Ooty. A new resort, the Sinclairs Retreat, Dooars, at Chalsa in the Dooars region of West Bengal, is likely to be commissioned in the current fiscal year. Sinclairs also runs an IATA-approved travel agency that has offices in Calcutta and Mumbai. It is also in the process of setting up a full-fledged moneychanging unit in Calcutta. Sinclairs has an equity base of Rs3.16 crore and reserves of Rs13.24 crore.

SONATA SOFTWARE LTD



Sonata Software Ltd, with a 13 year track record, offers software development and consulting services, software products, and ERP services, and has long-standing alliances with IBM and Microsoft. It operates from six India and three overseas offices, and has customers in 17 countries and international revenues growing (annually compounded) 100 per cent over the last four years to Rs126 crore in 1998–99. Sonata's flagship service is it's Virtual Development Centre (VDC) offering for software product companies. On the subcontinent it is a leader in technology-led consulting solutions and ERP consulting, with the highest number of implemented ERP sites (40 sites of Scala).

STATE BANK OF HYDERABAD



State Bank of Hyderabad, established in 1942 as Hyderabad State Bank, is the largest among all associate banks of the State Bank of India. It has a 'no loss' track record since incorporation. Turnover for 1998–99 crossed Rs15,000 crore. Deposits stood at Rs10,614.88 crore and advances at Rs5,331.97 crore. Net profit increased by 14.84 per cent to Rs111.53 crore. SBH spread its wings in many parts of the country and now operates more than 855 branches, out of which 255 are computerised. Business per employee also crossed Rs1 crore at Rs1.09 crore.

TITAN INDUSTRIES LTD

27

Titan Industries Ltd, belonging to the Tata stable, has in the past decade grown into one of the largest integrated watch and jewellery manufacturing organisations in the world. Titan has invested over $120 million in factories that produce over five million watches and 150,000 pieces of jewellery annually. Titan products are sold through over 6,000 retail outlets across 32 countries. It has a significant presence in Europe, Australia, the Middle East, South Asia, and the Far East. Titan was voted India's 'Most Admired Consumer Durable Marketing Company' for five years in succession and has been adjudged amongst Asia's top 200 companies by the *Far Eastern Economic Review*.

TVS-SUZUKI LTD

28

During 1998–99 TVS-Suzuki grew at twice the industry growth rate, registering a market share of 20.7 per cent in two-wheelers. The company sold over 7 lakh units, taking it to second spot. It sold over over 3.33 lakh mopeds for a 53.5 per cent share of that market; it is the second largest in the Indo-Jap motorcycles segment with sales of over 2.68 lakh units for a share of 22.8 per cent; with sales of more than 1 lakh scooters it has a 7.5 per cent share of that market.

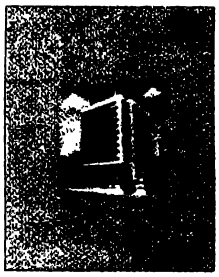
USHA BELTRON LTD

29

Established in 1960, the company is a global market leader in steel wire and wire ropes, and is among the top 5 manufacturers worldwide. It is a multiproduct, multilocational conglomerate with facilities in India and abroad and interests in steel, jelly-filled telephone cables, telecom, telecom infrastructure, and software. In spite of the worldwide recession in the industry, the company posted a 14 per cent increase in turnover and 75 per cent increase in PBT (Rs8.81 crore) in the first quarter of 1999–2000. On top of its agenda are a focus on services, greater excellence in manufacturing, and an ROCE target of 23 per cent by 2001–2002.

VIJAYA BANK

30



Vijaya Bank, established in the year 1931, has been providing quality financial services to its customers. It has witnessed an eventful 1998–99, when its operating profit increased by 82.2 per cent to Rs116.14 crore. Net profit grew 29.7 per cent to Rs30.23 crore. Aggregate deposits increased from Rs8,215.82 crore to Rs9,690.23 crore. The capital adequacy ratio stood at 10 per cent; advances increased 25.6 per cent to Rs3,767.2 crore; and average business per employee increased 25.4 per cent to Rs89.86 lakh.

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FAROUKH IRANI

The author is the managing director of First Leasing Company of India Ltd

Leasing's lamentation

The issue of depreciation claims of the leasing industry is far from resolved

The fate of the Indian leasing industry is similar to that of the Greek mythological hero, Sisyphus, who was directed by the Gods to roll a huge boulder up a steel hill daily. Sisyphus would almost succeed by sundown, only to find out the next morning that the boulder was once again at the bottom. And thus it went on daily *ad nauseum*.

The leasing industry established its claim to investment allowance and depreciation after a 15-year legal odyssey. Regrettably, like Sisyphus, we find the income tax authorities and the CBDT having second thoughts on whether depreciation should be allowed to leasing companies on finance leases or whether it should be permitted in a restricted fashion to "operating lessors". This, despite the fact that for all practical purposes, there are no operating leases written in India.

Alternatively, the department is considering a proposal to go to the other extreme of allowing depreciation to be claimed by lessees. The department's renewed concern arises from the phenomenon that there is considerable litigation to be addressed, on depreciation claims primarily related to sale and lease back transactions.

Admittedly on a historical basis there apparently were defective claims to depreciation by companies (not necessarily leasing companies), primarily in sale and lease back transactions but today this issue is almost a closed book. The department's ruling on adoption of "book value" for sale and lease backs eliminated contention; which is why we emphasise that to introduce still stronger medicine via an amendment to the Income Tax Act's provision for claim to depreciation, will lead to destruction of the leasing industry.

We recognise that in the mid-1980s and early 1990s there were approximately 400 leasing companies. Self-evidently many were unprofessional, did not fully understand their trade or tax regulations and as a result, there were irregularities perhaps some of them intentional, but most of it driven by ignorance. The Reserve Bank of India completed major surgery on the industry which led to a traumatic shakeout. Today not more than 10 major leasing companies operate in the Indian market and write leases. What this means is that the income tax department by addressing itself to the financial statements of roughly 10 finance companies will be in a position to monitor the depreciation claims originated by the authentic leasing industry throughout the economy.

Secondly, the income tax department modified rules relating to the sale and lease back transactions, requiring that all sale & lease back transactions completed from 1 October 1996 be written with the strict understanding that the price at which the asset transferred title would be the "book value" on the financial records of the former owner of the equipment. This development eliminated over 99 per cent of the depreciation problems and to the best of our understanding once the 1995-96 assessments are over, problem cases will most probably drop to a handful.

Thirdly, the claim for depreciation continues to be exaggerated by the action of several manufacturers and traders, whose primary business is not the "business of leasing" but to tax shelter their income regardless of the source of this income. These manufacturers and traders write leases primarily during March of every fiscal year so as to diminish their tax liabilities.

The government if it so chooses could further reduce the claim to depreciation by issuing a circular that those bodies/economic entities, whose business is not predominantly leasing and financial services, will not be permitted to claim depreciation to tax shield their non-lease related income. Such depreciation benefits will be applicable only to companies involved predominantly in the business of leasing.

We must emphatically point out that if the Income Tax Act is modified, to deny depreciation on finance leases completed by bonafide leasing companies, such an action will destroy the infant leasing industry in India, at a time when it is needed to help grow key infrastructure areas such as power, railways, telecom and roadways.

We emphatically draw the attention to the fact that Indian lessors do not have operating lease capabilities, a capability that tends to accompany more advanced levels of economic development. If the Indian leasing industry is compelled to write operating leases without the capacity to maintain, renovate equipment the present leasing industry will be destroyed. The

same eventuality would take place in the absence of an enabling infrastructure (that accompanies an advanced economy, such as Residual Value Insurance) like a well developed second-hand market for equipment.

Let's keep in mind that if depreciation on leased assets is restrictedly permitted to lessees in India, this would create an astronomical enforcement problem. CBDT will be confronted with the Himalayan task of scrutinising the tax returns of lakhs of lessees to ascertain the genuineness of their claims instead of checking the returns of around 10 lessors.

Contrary to the general perception of income tax officials, lessors nine times out of 10 are not the perpetrators of fraud but the victims of unprincipled lessee companies/ economic entities that used our funds to acquire assets only to thereafter sell them behind our backs and pocket the money. Alternatively, such entities create fictitious suppliers, or work with unethical suppliers to receive payment from the leasing company and then not supply the equipment but rather share the proceeds between themselves.

Similarly we have noticed that time and again there have been unscrupulous lessees who have cheated leasing companies and not the other way around. We wish to point out at this juncture that on several occasions leasing companies have been deceived by lessees and suppliers with the latter colluding and pretending to supply equipment. The leasing company has been induced to part with large amounts of money to a supplier named by the lessee.

The British and Indian *Sale of Goods Act* recognises that a party cannot transfer a good that he does not own but it does make exceptions in a case where a buyer (read leasing company) has parted with valuable consideration with no notice that the seller did not have the concerned underlying asset.

We recognise that from an enforcement point of view, the department can more comfortably deny the leasing company's claim to depreciation, but justice demands that the department proceed against the party who cheated both the leasing company and the government and who has been the cause of the fraud. In such a case, since the leasing company and the Revenue Department both have vested conflicting interests, that it is only fair that an objective third party, such as Courts of Law render justice and penalise those who have actually been responsible for causing all these problems rather than the leasing company that in fact has been victimised. •

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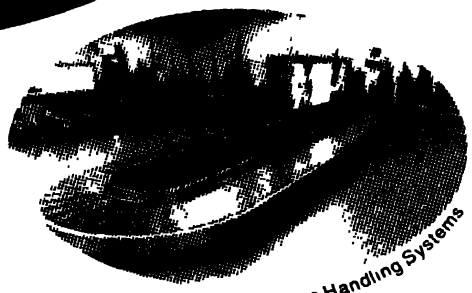
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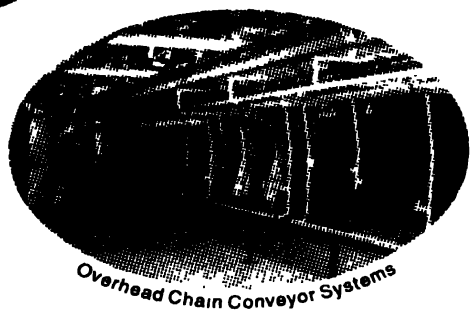
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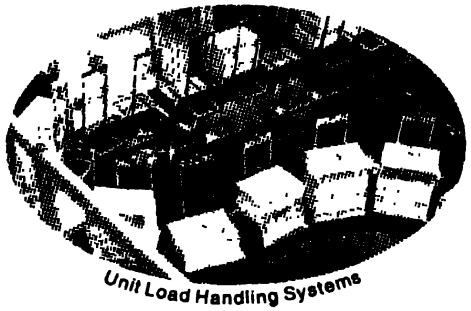


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Stealing a march

Tough times have beset Tisco and it is taking corrective measures to stem the slide

It's steeling itself to combat tough times. The country's second largest producer of steel, Tisco, has expanded its product range through acquisition and has also undergone a restructuring exercise and downed shutters on some of the uneconomical facilities. With the steel industry undergoing a cyclical downturn since the past three-four years, the company has tried to bring about higher efficiency in productivity and improve its product mix. And the effort does not seem to have gone unnoticed by stockmarketmen: the Tisco scrip has risen from a low of Rs69 to around Rs150 at present.

The drop in steel prices during the past year has led to a squeeze in Tisco's margins. Besides, the dumping by CIS countries and South Korea only aggravated the situation. With the steel market showing little signs of revival, the company decided to restructure its operations. It sold off its cement facilities to Lafarge SA of France for a consideration of Rs550 crore. Besides, the sale agreement also stipulates a long-term contract for supply of slag to one of the units to produce Portland cement.

To ease its cash flow position even further, Tisco has sold off its 40 per cent stake in Tata Timken to the US parent at a cost of Rs135 crore. Though the company has completed its fourth phase of expansion at a cost of Rs2,000 crore, it has put on hold other investments such as the one in the long products complex and has spiked the greenfield steel unit at Gopalpur. The company has also continuously focused on pruning workforce. In the last five years, it has succeeded in wooing almost 2,000 workers to opt for VRS. Other remedial measures have been to close down the unremunerative seamless tube division and a sheet mill at Jamshedpur.

The measures adopted by Tisco have helped the company to stay afloat. The completion of the IV phase of expansion in March this year, would help in bringing about substantial savings. "The focus of this phase has been to produce high value-added steel and the production of semis will be limited to only 5 per cent," according to a research analyst. Tisco has also embarked on its plan to put up a 1.2



Tisco is fighting back

million tonne per annum cold rolling mill at a cost of Rs1,800 crore. Coming up at Jamshedpur, the mill is expected to begin humming by mid next year. The project has been financed through debt amounting to Rs1,500 crore.

Tisco is a major in the top-end hot rolled segment. It has a capacity of 2 million tonne of HR coils. The average price of HR coils is around Rs14,000/tonne. The prices of the commodity firming up augurs well for the company's bottomline. Already, there seems to be marginal revival in prices and analysts expect prices to firm up during the current year. Besides, the demand for steel would be fuelled by the increased infrastructure development in the coming years. Realisation in the prices of long product have also been hit. However, analysts expect to see a pick-up in demand for these products because of increased activity in the housing sector.

Tisco has a 15 per cent marketshare of total domestic production in the country. It rolls out a variety of steel sheets, plates, strips, bars and rods structurals and billets, besides a range of tubes and ball bearings. In spite of the problems of overcapacity and a stagnant domestic demand and the price cuts, the company has managed to put up a not so disastrous performance compared to its peers. On a turnover of Rs5,905 crore for the year to March 1999, the company netted a profit of Rs282 crore (compared to Rs322 crore the previous year). Had it not been for the sale of investments and non-recurring income, the company's bottomline would have been bruised.

For the first quarter of the year to March 2000, though Tisco posted increased sales of Rs1,427.34 crore (Rs1,352.76 crore in the corresponding period of last year), post-tax profit dipped 8.5 per cent to Rs24 crore. With the prices of the commodity expected to firm up over the next 6-8 months, analysts expect to see Tisco regain its past glory over the next one year. For it has already begun paying greater emphasis on cost reductions, improving productivity and offering a better product mix. Analysts feel that the company is making an all-out effort to emerge as one of the lowest cost manufacturer in the international market. The energy consumption rates are improving constantly, though they may not be near the international levels. Even the labour productivity both in crude steel as well as saleable steel is making an impressive rise.

With the revival in the Southeast Asian economies the average sale realisations in steel are bound to improve. And with cost-cutting measures and a shift to high value added products through conversion of hot rolled into cold rolled, Tisco seems certainly a good investment bet in the medium to long term.

◆ ROY PINTO

Tango times

The Sensex has risen in the past couple of months. And the mid- and small-cap stocks don't want to lie low

It's euphoria with a capital E. And it is not just the pivotals that are piercing newer peaks, the mid-cap and small-cap stocks have also joined in the upward march. The sentiment is such that even the cats and dogs have begun doing the tango.

The rise in the sensitive index that marketmen have witnessed over the past one year was largely centred around the 'A' group shares. But now for the first time in over four years one can see the 'B' group (both 'B1' and 'B2') scrips outnumbering the pivotals in breaking new highs. Not that the 'B' group has not outnumbered the pivotals in this period. But that was when the market was falling and there were more 'B' group casualties than 'A' group.

A clear indication of the rally shifting to the 'B' group or for that matter the bullish sentiment getting broad-based is the fact that the S&P CNX 500 (comprising 79 industries encompassing mid- and small-cap stocks) has outperformed the Sensex almost by a third. Several of the fairly active stocks in the 'B' group have seen their prices spiralling. Even a number of scrips which were hitherto inactive or witnessing low volumes of 100-500 shares began to be traded in several thousands or even lakhs.

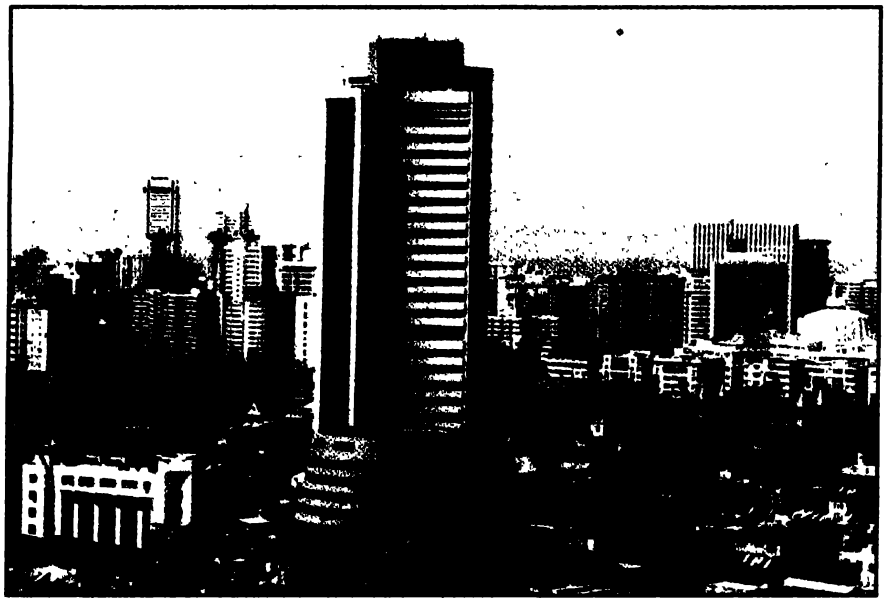
The investments are not centred around just the software, pharma and FMCG stocks but also around other sectors such as cement, auto-ancillary, metals and even finance. "The feel good factor seems to be seeping to other groups too," says a Mumbai-based broker. "It's the belief that the economy is doing a U-turn that is driving the market up," says a merchant banker.

The feel-good factor had for the past several months played a crucial role in stoking the Sensex. Added to this were reports in the press stating that the BJP government, which is said to be well placed to secure a clear mandate, had on the agenda plans to allow provident funds to invest in the stockmarkets. What fuelled the north-bound journey even more was the decision by the Bombay Stock Exchange authorities to place some of the 'B' group stocks into the 'A' group. Needless to say, all of them saw wild activity — largely net buyers.

Does the rally signify that the small investor, whom most of the bigger players were waiting for, has come out of hibernation? Efforts to gauge whether the small investor has returned yielded a mixed response. "Given the circumstances where all looks rosy, operators are making it look even rosier," says a past-master on the BSE. "I don't know much about the market but I have some friends who tell me when to invest and when to get out during the trading week and I end up making a good packet," was what one overheard at a tea-stall on Dalal Street. "An old client resurfaced after two years to find out what's happening on the stockmarket," says a broker. "Real estate has been down for years and returns on fixed deposits, plantation schemes and bonds are either not good or have turned bad and bullion has been a bad investment. So where does a person having a risk taking ability look at? The stockmarket naturally. And that's what is happening," says a mutual fund manager.

The investing mood may be picking up. The recent offering from software companies have met with resounding success. Even fund raising through the rights offerings has met with good response — Rs400 crore raised since April compared to about Rs140 crore raised in the corresponding period of last year. A score of companies are expected to come out with rights offerings in the next couple of months. "The successes of these issues could well spell the revival of the primary market," says a merchant banker.

If the primary market revives, it could provide some impetus to corporates which were forced to put their plans on hold for want of alternative avenues of raising resources. It may be recalled that term lending institutions had turned 'conservative' for fear of carrying additional non-performing assets. Not that all corporates would be genuine. Similarly, all price rises of mid- and small-cap stocks are not likely to be backed by fundamentals. Investors need to be cautious: the action in 'A' has percolated down to 'B', but the euphoria should not carry them to 'Z'.



Shifting some 'B' stocks into the 'A' group also fuelled the north-bound journey

• ROY PINTO

Fortune Informatics

Leopards can never change their spots, thus goes an old saying. Ditto is the case of Indian promoters who ceaselessly explore ways and means of extracting moolah from investors. The latest trick up many a promoters' sleeve is to approach the investor in the garb of a software company. Falling in this category is Fortune Informatics.

Fortune Informatics née Fortune Office Systems in its earlier *avatar* was a trader in computer hardware and office automation equipment. The

Instrument	Equity shares of Rs10 at par
Issue size	Rs2.10 crore
Issue opens	28 August 1999
Issue closes	4 September 1999
Listing	Hyderabad & Calcutta
Project cost	Rs6.99 crore
Post-issue equity	Rs7.16 crore

company got "converted" into a software firm in 1997-98, which incidentally coincides with the period when the infotech boom started. Although audited figures for the past five years are available, they serve little purpose because the company has changed its line of business. Fortune started developing software in 1997-98, the benefits of which got reflected in the ensuing fiscal. During 1998-99, Fortune's revenue stood at Rs3.97 crore (software business chipping in 25.51 per cent) and profits were Rs0.14 crore.

In order to expand its software business the company is tapping the capital market. The cost of the project as estimated by APIDC (Andhra Pradesh Industrial Development Corporation) is Rs6.99 crore, with Rs6.09 crore in the form of equity and the balance term loan from APIDC. Till the first week of July the company has deployed Rs2.20 crore and it expects to begin commercial operations from August. As per the estimates made by APIDC, in its first year of operation, income is pegged at Rs7.86 crore and earnings per share slated to be Rs2.22. In the second year, income is put at Rs9.50 crore and net profit at Rs2.05 crore.

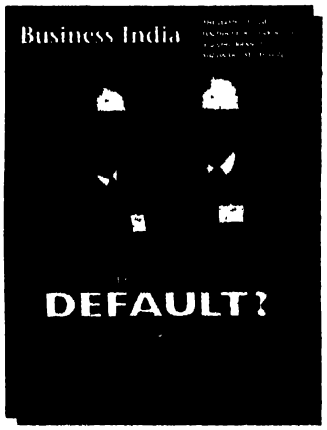
Kaashyap Radiant Systems

Kaashyap Radiant Systems (KRS) is an existing company engaged in computer training and software development. At present, the company has 12 training centres (owned and franchised) in Tamil Nadu and Karnataka. In order to fund its expansion programme it is tapping the capital market. The plan envisages setting up of two ERP training-cum-software development and consultancy centres and eight non-ERP education and training centres. The whole project will go on stream in stages with the last phase slated for November 1999. The cost of the project as appraised by IDBI is Rs10 crore and the same is funded by equity (Rs7.30 crore) and term loans from IDBI amounting to Rs2.70 crore. Till June, the company has spent Rs4.68 crore.

Instrument	: Equity shares of Rs10 at par
Issue size	: Rs3.20 crore
Issue opens	: 30 August 1999
Issue closes	: 6 September 1999
Listing	: Chennai & Hyderabad
Project cost	: Rs10 crore
Post issue equity	: Rs10.30 crore

The prospectus contains the financials of two accounting periods which are not comparable: one is the 17-month period ending September 1998 and the other for five months ending February 1999. For the period ended September 1998, the company has clocked in a revenue of Rs3.58 crore (revenue from education and training Rs3.10 crore and from software Rs0.48 crore) and profit of Rs0.73 crore. The same for the period ended February 1999, stood at Rs1.94 crore (revenue from education and training Rs1 crore and from software Rs0.94 crore) and Rs0.43 crore. For the current year, the company estimates total income at Rs25.81 crore (Rs10.55 crore from education and Rs15.26 crore from software) and net profit at Rs2.21 crore. The track record of one of its associate companies viz. Ram Kaashyap Investment, which is listed company, is not praiseworthy. Secondly there are no underwriters to this issue. •

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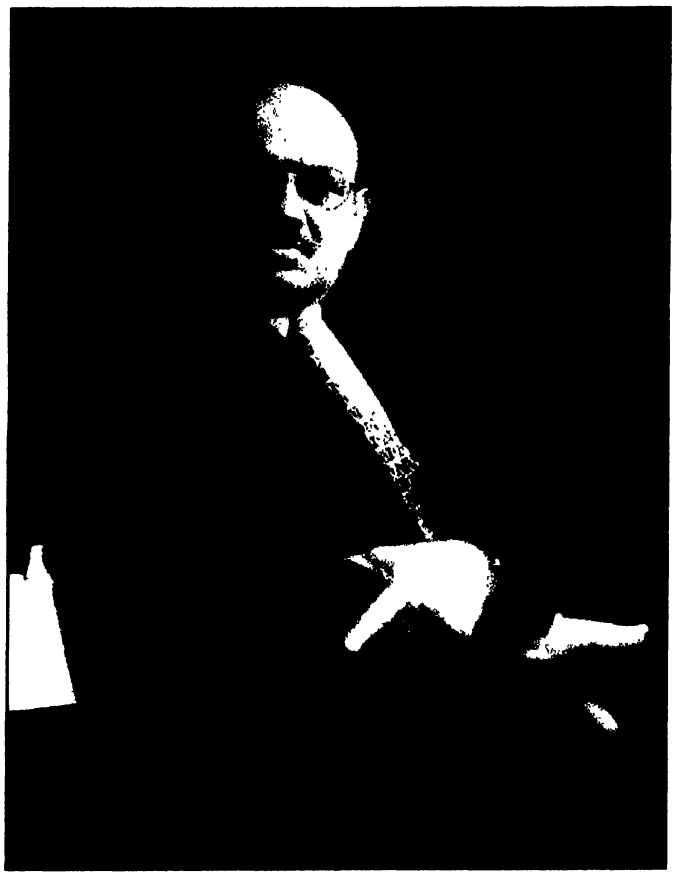
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Count on this

With yarn prices firming up, Indo Count Industries has chalked out its gameplan to gain an edge over competitors

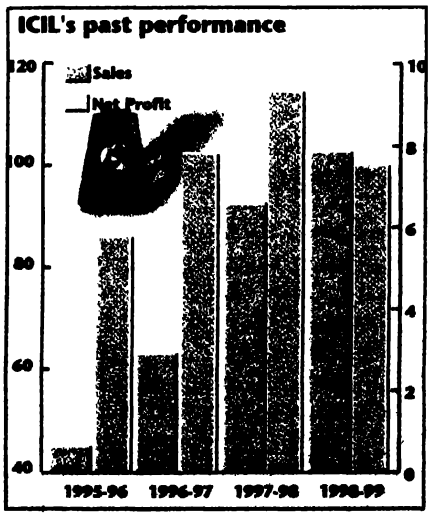
The cotton yarn exports in the last 10 years. Beginning 1987-88 nearly 30 export oriented units manufacturing cotton yarn have sprung up. The value of cotton yarn exports pole-vaulted from Rs343.10 crore (1987-88) to Rs5,368.20 crore (1996-97). However, good fortunes do not last forever. Uneconomical size of the units, wrong locations (regions where the power cost has spiralled) or in some cases erroneous selection of machinery, have ensured that only a third of the EOUs now survive. Besides, beginning mid-1997, yarn prices in the international market moved south. Many of the surviving EOUs are not making enough money to service their borrowings. Hence the need to come up with survival plans of either expanding capacity, containing the cost of production or diversification.



Jain promises not to dilute ICIL's earnings

"The immediate remedies are to go in for a value-added product mix (using cotton yarn more for fabric manufacture), stressing on processed fabrics and providing more quality process fabric for making garments," says a textile analyst.

In view of this scenario, Indo Count Industries (ICIL) can be said to be one company which has got its act together. ICIL which started in 1991 with 12,000 spindles today has 52,000 and is now hiking it by another 4,000. "We have the infrastructure, all we need is the balancing equipment. This will not only reduce expenditure but also economise the operation," says the CMD, Anil Jain. He assures, "The money will come from internal accruals and there will be no equity dilution. We have placed orders for both imported and local machines which should be in place by August-end. Hence the result of the expansion will be reflected in the second half of the current financial year."



Over the last two years, ICIL, at a cost of Rs1.50 crore, has installed four knitting machines with a production capacity of 700 tpa of knitted fabric. "This has been financed through a 3:1 ratio of internal accruals and debt. During the current fiscal we have chalked out a plan to double this capacity. The company through its agent network supplies the grey knitted fabrics to international chain stores such as Marks and Spencer, Mother Care, etc," says Jain.

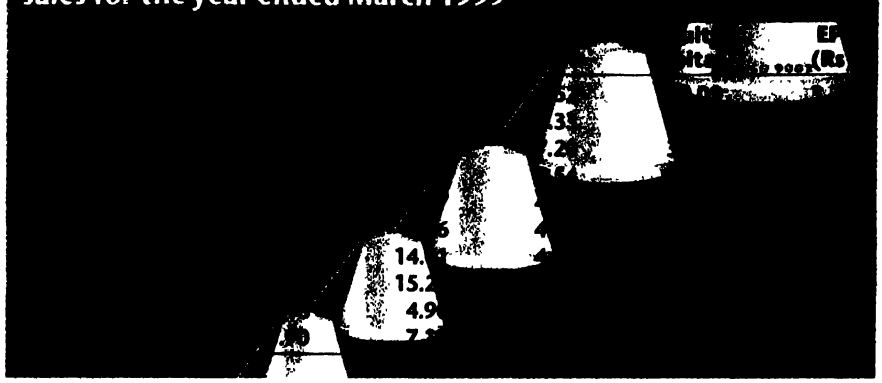
Till 1997-98, crucial financial parameters like gross fixed assets, sales, networth and net profit have been positive. However, for the year ended March 1999, while ICIL's sales rose by 13 per cent to Rs104.82 crore, gross profit has remained static at Rs14 crore. And with the higher depreciation provision of Rs6.37 crore (previous year: Rs5.31 crore), net profit slipped from Rs9.35 crore to Rs7.54 crore. This pressure on profitability has adversely affected the earnings per share, which is Rs3.20. The scrip is close to par value, discounting these earnings by three times. However, compared to its peers, ICIL continues to be the frontrunner. An analysis of the top 10 companies in terms of cash profit as a percentage to net sales, reveals that ICIL occupies the fourth rank after Cheslind Textiles, Maral Overseas and Shamken Spinners.

Interestingly, during the last couple of years, ICIL has gone in for a cost cutting exercise. Power costs are almost 7 per cent of input costs. ICIL has halved this from Rs5 to Rs2.40 per unit. "We have installed our own captive power unit of 9 MW based on heavy fuel and diesel oil. Our plant is

2 km away from the Karnataka border, hence we bring diesel from there," explains Jain. ICIL's power cost is 50 per cent cheaper than the average of other players, which is Rs4.95 per unit. "We definitely have an edge over others. Besides, ICIL is the only company in India to get a licence for the use of the 'Rieter Yarn' mark. This mark is given to companies which maintain strict quality norms," adds Jain.

Now let's look at the state of the industry. Last fiscal (1998-99), almost all the players improved their bottom-lines. The commodity continues to occupy the top slot in cotton textile exports. However there has been a slowdown in its growth. Since mid-1997, prices in the international market started sliding from an average of $3.46 (May 1997) to $2.85 (May 1998) per kg, a drop of a whopping 117.63 per cent. In fact, the average unit realisation in March 1999 touched $2.70 per kg as against $3.08 in March 1998. However, the price of yarn in global markets has bounced back and the current year's outlook is positive, says Jain.

Top 10 cotton yarn manufacturers: ranked by cash profit to net sales for the year ended March 1999



Another reason for last year's slowdown in the domestic industry was that export shipments were hit. "This was on account of the Southeast Asian currency crisis. Southeast Asia is our major market," says Jain. But that's a thing of the past. Now that Southeast Asian economies have revived and demand picked up in other countries, Jain expects to close the current year (ending March 2000) with a turnover of Rs130 crore, a jump of 24 per cent over Rs105 crore of last year. He predicts ICIL's profit to be Rs9 crore, which on an equity base of Rs23.54 crore, translates into an EPS of Rs3.82. "Judging by the first quarter ended June 1999, wherein ICIL reported a turnover of Rs29 crore and a gross profit of Rs3.50 crore as against Rs24 crore and Rs3.46 crore respectively for the corresponding period last year, this seems like an achievable target," points an equity analyst.

• LANCELOT JOSEPH



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NIRMAL JAIN

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Net mania

Net companies are mushrooming the world over, driven to a large extent by crazy valuations. A major shakeout is on the cards

A Dilbert cartoon strip carries a very telling comment on the Net mania sweeping the world at this very moment. A new venture fund approaches Dogbert, proposing to give him some money. The reluctant Dogbert explains: "I do not have a Web business and I am just an engineer with a ponytail." The fund managers are delighted: "We would like to get in early."

The business of dot com is the sexiest happening thing today. Notwithstanding hundreds of lessons in the history books, greed can never be overpowered. It is not money of venture funds alone, but also mutual funds, retail and institutional investors, all have been chasing Net stocks. While one can count a number of international examples from the Florida boom to Tulip Mania, there are several back home too.

Not too far in the past (1994), acquiring a broking card was a craze. It is not that the broking business has ceased to exist, but we have already seen a lot of consolidation and a major correction in prices of broking cards. But when the mania was prevalent, everybody believed that India was globalising, the financial services industry had to endlessly grow at an explosive pace, foreign brokers and institutional investors were coming. Whatever had happened till then was not even a drop in the ocean. Look at China... and so on. In all mania, at the beginning the erudite discover a new thing, and some time later the ignoramuses follow. At the peak of the boom, there is a general consensus.

In the Internet business also, the crazy valuations, listing bounties, the insatiable appetite of funds, etc have captured everyone's imaginations. Men and women, old and young, small and big, all want to be a part of the Net business in some way. A number of new entrepreneurs have jumped in, many nurturing their ambitions on the crazy price that some venture fund will give or on the hope that they will have a windfall of a lifetime when they sell out. Some of my young friends are indeed planning to retire at Miami beach.

Anybody who understands the theory of geometric progression would know that in no business, valuations can double every three months for any reasonable length of time. Nobody today would contest that the Net is the greatest revolution of the century and it has the power to change business dynamics dramatically. But this does not imply that anybody who can attach a suffix dot com would become a millionaire overnight. Most people fail to realise that the Net is a more effective way of doing one's existing business wherein one has core competencies rather than making a new business out of the Net itself. A number of Indian companies battered by the stockmarkets are also looking for opportunities to set up a new IT or a Net company.

Nobody today would contest that the Net is the greatest revolution of the century and it has the power to change business dynamics dramatically. But this does not imply that anybody who can attach a suffix dot com would become a millionaire overnight

In stockmarket parlance, a significant increase in stock supply is the first indication of trouble ahead. There are about 25 initial public offerings of Net companies planned on Nasdaq in the last quarter of the current year. Already some of the IPOs have started getting listed at below issue price. In the past few weeks, even the popular and established Net companies in the US have seen their values almost halving.

In India only 0.03 per cent of population have acquired Net connections. This implies that all the Net companies have a long way to go before they can get critical mass for businesses in day-to-day life. In some of the segments catering to the rich and educated, the proportion of Net penetration would be higher. The mania has already seized the entrepreneurs probably a little ahead of time. A major shakeout is inevitable. The trigger can come from the US or somewhere else. It may happen tomorrow or a few years later. But the ones with a sound business strategy and the wherewithal to survive will be part of a sector that grows at 15 per cent per month for many years. ♦

Business India-Credence: Mutual Fund Performance
Growth Schemes

TOP 10

If Rs 10,000 was invested in each of these schemes on 6 August 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Price based Rs	% change	Risk grade	Issue date	Redemption date
1	Zurich India Equity Fund	Zurich India MF	21633	116.33	20343	103.43	V	24-Dec-1994	Open-Ended
2	Birla Advantange Fund	Birla MF	21429	114.29	21652	116.52	II	24-Feb-1995	Open-Ended
3	Canexpo	Canbank MF	19839	98.39	20358	103.58	V	30-Mar-1994	Open-Ended
4	HB Libra Leap	HB MF	19436	94.36	NA	NA	I	27-May-1996	06-Sep-2001
5	Apple Midas Fund-Goldshare	Apple MF	19195	91.95	16079	60.79	II	02-May-1994	Open-Ended
6	KP Prima Plus	Kothari Pioneer MF	18551	85.51	18079	80.79	III	28-Sept-1994	Open-Ended
7	Apple Platinum Share	Apple MF	18477	84.77	17970	79.70	I	21-Jan-1995	Open-Ended
8	Sun F&C Value Fund	Sun F&C MF	18325	83.25	18649	84.69	I	05-Jul-1997	Open-Ended
9	DSP-ML Equity Fund	DSP-ML MF	17869	78.69	17538	75.38	I	07-Apr-1997	Open-Ended
10	KP Prima	Kothari Pioneer MF	17758	77.58	17178	71.78	V	30-Nov-1993	Open-Ended

BOTTOM 10

57	Taurus Newshare	Taurus MF	12567	25.67	4159	-58.41	III	05-Sep-1994	03-Oct-1999
58	Ind Sagar	Indbank MF	12089	20.89	11037	10.37	III	31-Aug-1991	31-Mar-2001
59	Cantriple Plus	Canbank MF	12076	20.76	9495	-5.05	II	07-Dec-1991	Open-Ended
60	Dhanasmriddhi	LIC MF	12016	20.16	NA	NA	I	10-Aug-1994	31-Aug-1999
61	Ind Ratna	Indbank MF	12009	20.09	15356	53.56	II	22-Feb-1990	22-Feb-2001
62	GIC Fortune 94	GIC MF	11511	15.11	11153	11.53	II	02-Dec-1994	Open-Ended
63	Ind Navratna	Indbank MF	10997	9.97	10190	-1.90	IV	25-Jun-1994	30-Jun-2004
64	Dhanaraksha 89	LIC MF	10882	8.82	10201	2.01	II	19-Jun-1989	Open-Ended
65	PNB Premium Plus (Gr)	PNB MF	8456	-15.44	NA	NA	I	15-Jan-1992	16-Jan-2000
66	PNB Premium Plus (Div.)	PNB MF	8456	-15.44	9974	-0.26	III	15-Jan-1992	16-Jan-2000
	Median Return-Peer Group		14753	47.53	14384	43.84			
	BSE Natex		14729	47.29					
	BSE Sensex		14941	49.41					
	SNP CNX 500		15075	50.75					

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all short-listed schemes.

COMMENTS

The short-listed growth schemes have marginally under-performed the benchmark, the broad-based SNP CNX 500 index. The annual median return of these growth schemes is positive 47.53 per cent versues positive 50.75 per cent of SNP CNX 500 index. The present rally in the market have been broad-based as SNP CNX 500 index since it has out-performed the premier index BSE Sensex marginally. The expectations of an impending turnaround in the economy have caught the investors attention on small and medium cap stocks too. Of the shortlisted 66 schemes, 45 per cent of the schemes have out-performed all the benchmark indices.

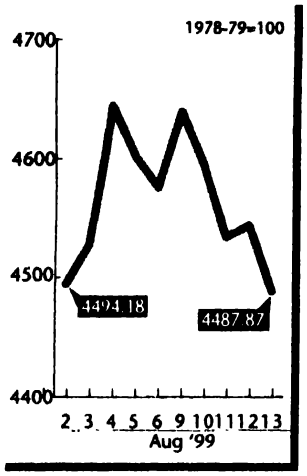
The investment performance however is not uniform across the schemes, with top five schemes generating an annual return of over 90 per cent while the bottom four schemes managed to return less than 10 per cent. Most of top performing schemes are open-ended and has got a low corpus. These schemes have taken up significant exposure in the so-called golden triangle of Infotech, FMCG, and Pharmaceutical sector. After the news of an imminent economic recovery, the prices of cyclical and commodity stocks have appreciated remarkably and select funds have started taking fresh exposure in cement and automobile stocks.

Compared to last mutual fund ranking (as on June 26, 1999) on growth schemes, DSP-ML Equity Fund from DSP Merrill Lynch, Apple Midas Fund- Goldshare from Apple MF and HB Libra Leap from HB MF have been added to the top 10 rank while Zurich Quantam Growth from Zurich India MF, Tata Twin Option (Equity) from Tata MF and KP Blue Chip from Kothari Pioneer MF have dropped out of the list.

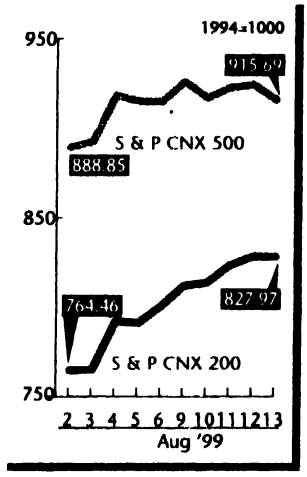
MATHEW THOMAS

Indicators for fortnight ended 13 August 1999 — Equities

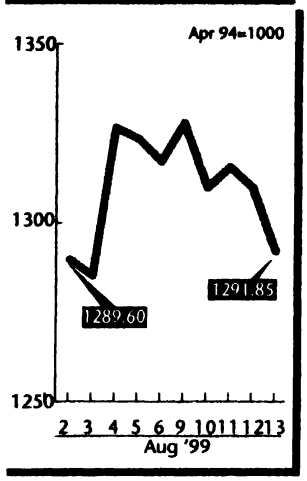
BSE-Sensex



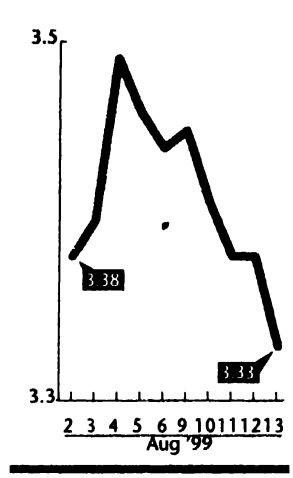
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 -Best Performing Industries

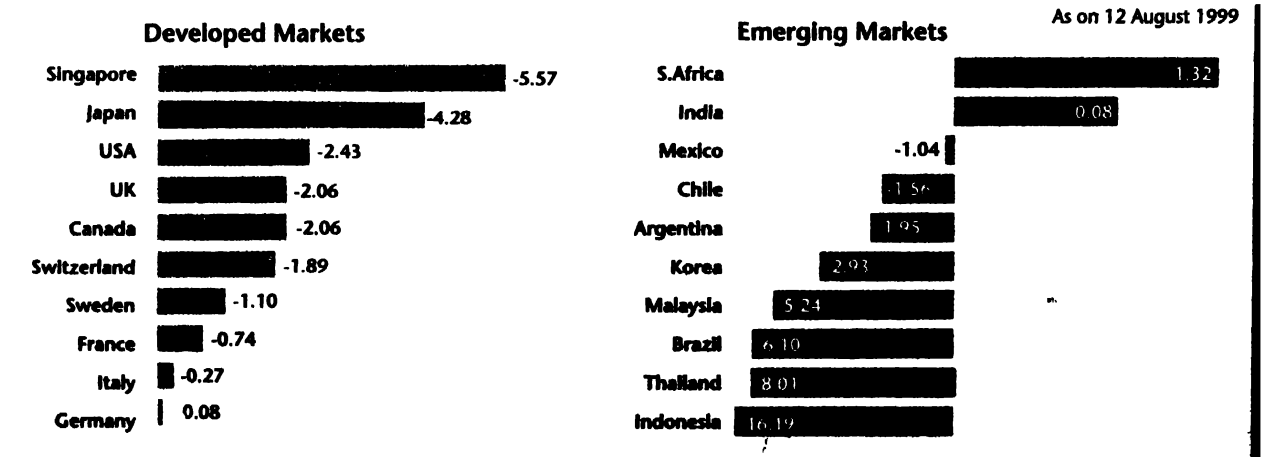
Industry Name	2-week % change	Yearly % change
Photograpic Products	25.92	53.97
Tyres	22.25	85.24
Cement & Cement Products	17.65	116.92
Finance	15.56	13.25
Castings/Forgings	15.53	207.42
Auto Ancillaries	14.21	87.25
Computers-Hardware	14.05	243.30
Aluminium	13.65	61.30
Airconditioners	11.51	38.50
Diesel Engines	11.44	95.18

S&P CNX 500 -Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Shipping	-11.63	-27.78
Refineries	-9.35	-16.30
Cigarettes	-6.52	60.95
Solvent Extraction	-6.39	92.12
Chemicals-Speciality	-6.03	25.84
Financial Institution	-5.99	-21.98
Petrochemicals	-4.91	45.44
Engineering	-4.76	32.90
Automobiles-2-3 wheelers	-4.25	17.35
Banks	-3.97	9.39

Monthly change in world stock indices

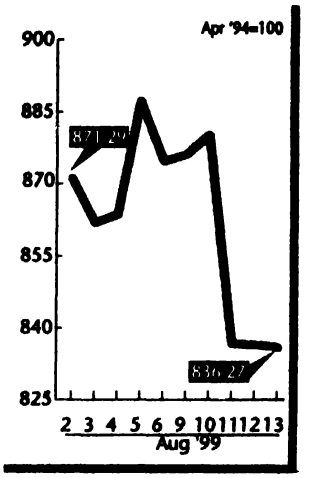
As on 12 August 1999



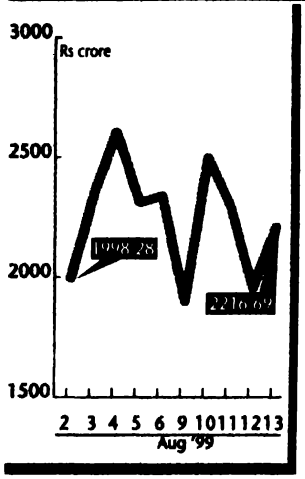
Source: Morgan Stanley Capital International

Equities

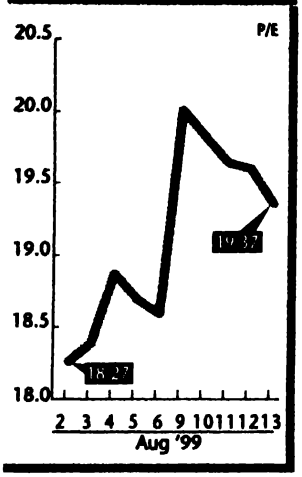
Skindia GDR Index



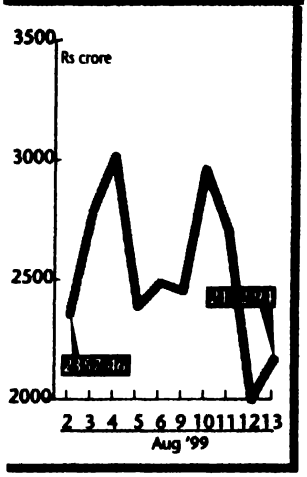
BSE-Volumes



Sensex P E



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-13 Aug Rs	2-week % change	52-week High/Low
APR	21.00	-20.60	27/11
Shipping Corpn	19.75	-17.71	36/14
Mahavir Spinning	47.00	-17.54	62/36
VST Industries	98.00	-15.88	189/77
Titan Industries	88.50	-15.31	115/34
BPCL	220.90	-14.92	327/131
Hindustan Zinc	17.35	-13.68	23/7
Amara Raja Batteries	182.00	-13.37	346/149
MTNL	182.80	-13.16	246/134
Hero Honda	1211.00	-12.56	1590/477

S&P CNX 500 -Best Performing Stocks

Company	Price-13 Aug Rs	2-week % change	52-week High/Low
Chettinad Cement	149.90	72.20	163/56
Coates of India	158.50	65.79	176/65
Saurashtra Cement	34.10	65.53	35/18
Citicorp Securities	209.50	64.96	210/12
VLS Finance	20.25	59.45	24/10
Torrent Pharma	150.00	57.89	153/65
GKN Invel Transmission	68.80	56.36	69/18
Sri Vishnu Cement	48.85	52.66	91/22
Global Tele-systems	327.00	49.97	338/65
Eternit Everest	75.45	46.22	75/32

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price-13Aug Rs	2-week % change
Reliance Industries	544.73	167.20	-6.33
ACC	381.71	224.30	6.99
Rolta India	349.37	150.00	3.32
SBI	347.96	332.50	2.77
TELCO	308.01	249.75	2.90
L&T	291.50	332.50	2.77
Satyam Computers	278.84	955.12	12.70
Tisco	251.89	137.75	-0.54
Pentafour Software	233.28	621.00	-1.95
Jaiprakash Inds.	194.10	39.25	35.24

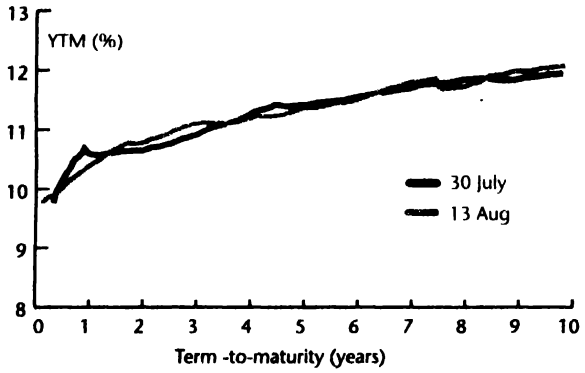
S&P CNX 500 -Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price-13 Aug Rs	2-Week % change
Hindustan Lever	59172.48	2575.00	-5.59
ITC	23915.46	937.00	-6.77
Wipro	23616.56	4850.00	-5.55
Infosys	17024.07	5450.00	12.37
Reliance Industries	16313.45	167.20	-6.33
SBI	12644.35	235.75	-4.57
MTNL	12168.45	182.80	-13.16
Ranbaxy	11193.85	991.00	10.73
VSNL	10286.34	1102.75	4.03
NIIT	8644.57	2212.00	2.17

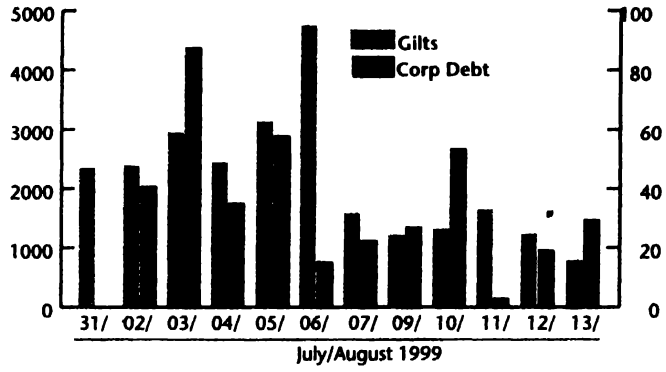
Source: India Index Services and Products

Debt

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	9.84	8.19	Call climbed sharply due to tight liquidity
Treasury Bills[2]	8.63/9.02/10.28	8.11/8.98/10.31	Short maturity TB yields climbed
Bonds (AAA)[3]	11.50-11.85	11.85-12.00	Good response to primary issues
Debentures (AAA)[4]	11.75-12.00	12.00-12.25	Good demand for shorter maturity debentures
ICDs[5] (Grade A)	11.50-12.00	11.50-12.00	Low market activity
CPs[6] (P1+)	9.70-9.90	9.95-10.05	Volumes climbed and yields moved lower
PLRs[7]	12.00	12.00	Banks have ruled out a cut in the PLR

1 Call money is fortnightly average rate, 2 Treasury bills (TBs) are cut off yields on 14 day TBs, 91day TBs and 364 day TBs at auctions, 3 Five-year bond yields are secondary market yields or a new benchmark issue, 4 Debentures are secondary market yields with 5 years maturity on the NSE, 5· Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market; 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper, 7· Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* July 31-Aug 13 # July 17-30

Attractive Options

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
Nalco	NCD	100	2006	AAA	13.08
Rel Petro	NCDs	100	2001	AA	16.06

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturi (yrs)
ICICI	AAA	Bonds/ 12.10-12.50	300+300	3-18
MSRDC	AA(so)	Bonds/ 13.65#	400+50	5-12

Multiple options

Snapshot

The gilts market witnessed a sharp reversal after rallying to new highs this fiscal. Liquidity tightened as funds were scarce following big purchases. Call climbed to over 20 per cent levels at the end of the period as players rushed to cover reserve requirements. No rate cuts and fresh tensions at the border dampened sentiment and the resulting bearishness caused pricess to react sharply. Good demand for gilts saw the auctions sail through. OMO purchases were over Rs3,500 crore. The SBICAP-SYC fell sharply before climbing again. TB-cut-off yields moved up for 14D and 91D TBs but fell for 182D and 364D TBs. Secondary volumes were high. Call rates expected to guide the move in gilt yields in the coming week as the tightness will dampen sentiment.

Source: **SBICAP**; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

AUGUST 1999
A special section offering fresh perspectives on global issues prepared for Business India

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PRINTED IN SIX LANGUAGES ON FIVE CONTINENTS

THE WORLDPAPER · ONE VOICE · WORLDTIMES · TRIBUNE MONDIALE · TIEMPO MUNDIAL · INTERNATIONAL INQUIRER · 世界時代

'Dollarization' could change the politics of money

Can you import financial credibility?

By Roberto Salinas-León

IN MEXICO, THE OLD "d-word," devaluation, seems to have been replaced by a new "d-word"—dollarization.

In the crowded streets of Tijuana, for instance, you'll find street vendors selling the popular weekly, *Zeta*, sporting the catchy headline: "Silva Herzog denounces dollarization." This man was Minister of Finance in the government of Lopez Portillo (1976-82), who promised to "defend the peso like a dog." Portillo ended his term with the peso worth 10 percent of its value when he took his oath of office, ushering in the "lost decade" of economic stagnation.

If you are aware of his role in Portillo's government, you may wonder if Herzog's bark against dollarization is worse than his bite. So you buy the newspaper, which sells for exactly US$1. The exchange is simple. But it is conducted in foreign currency.

As a Mexican, this may surprise you, triggering a desire to find out more about this dollarization debate. So you give in to the vendor's insistence that, for two extra bucks, you also buy *Newsweek*. You open it and find Robert Samuelson's column, in which he expresses serious doubts about the current ties for dollarization. "When a country abandons its currency, it surrenders a central symbol of national identity," writes Samuelson.

REPORTING FROM **MEXICO CITY**

Ah, the political argument.

You ask if it makes sense to have patriotic pride in outrageous interest rates and a cumulative inflation rate of 275,000 percent in one generation. So, you read on: "[the country] also loses an instrument to control its economy" and "throws itself at the mercy" of foreign monetary policy, to wit, the US Federal Reserve. This is the technocratic argument. In Herzog's own flamboyant terms, dollarization would be "the equivalent of amputating the economic body's right arm."

This kind of I-know-so-much-more-than-you-do policy advice defies the common sense logic of radical currency reform. Businessmen, big and small, support dollarization out of a desire to rule out ex-

▶ **POLITICS OF MONEY** INSIDE

▶ Establishing, maintaining and defending a national currency is an expensive and uncertain business. If you can swallow your national pride, there is a lot to be said for adopting one with a proven track record and going along for the ride. The appeal of this line of reasoning is growing: a number of countries are seriously considering whether or not to adopt the US dollar (or, in West Africa, the French franc) to replace their national currencies. But, while one size may fit all, a straight jacket is never that comfortable. And, as many people seem to have forgotten, the stability of the dollar that is now so attractive was conspicuously absent in the 1970s



Russians can't wait to send the almighty dollar back overseas

Widespread support, but pride in the ruble still comes before a fall

By Brad Durham

REPORTING FROM

DESPITE SEVERAL NEW scripts, all of which cast the ruble in a starring role, the dollar still plays a major role in Russia's long-running financial drama. The show's producers have still to convince the audience that it should shift its allegiance.

Putting the ruble on the marquee has had some effect. Since Russia finally got serious about treating it like the national currency in the mid-1990s, the almighty American dollar has slipped a notch from its perch as Russia's de facto tender. And while the ruble devaluation and debt default of last August caused oligarchs and babushkas alike to flee again into the safety of the dollar, strict currency controls have managed to breath life into the ruble and prevented Russia from printing its way back into hyperinflation.

The dollar is not the omnipresent currency that it once was in Russia, when street urchins were as agile with dollar exchange rate fluctuations as London foreign exchange traders and kiosks sold a wide range of items, including bath towels and brassieres, in the image of the dollar.

The dollarization of the Russian economy was so widespread that after being forced into a series of dollar-denominated transactions in Russia, this reporter—in Moscow living on a ruble salary for most of 1990 - -began telling merchants and waiters that I hailed from Novoe Zeelandia (New Zealand) when presented with the probing question: "What country?"

This answer ensured ruble instead of US dollar payment at most establishments, accounted for a shaky grasp of the Russian language and led to an awkward conversation about opportunities in the wool industry "back home" with a Russian shopping for a place to emigrate.

Admirable comeback

But since Russia made the transition to a reasonably strict monetary policy and banned use of the dollar for everyday transactions on Russian territory, the ruble made an admirable comeback in the hearts and minds of many Russians.

By the mid-1990s, the currency black market was resigned to offering a rate just a shade above the market rate on the Moscow Interbank Currency Exchange. And dollar symbols that used to roll in the eyes of taxi drivers like the lemons and oranges of a slot machine when negotiating a ride all but flickered out.

Many ordinary Russians rallied around their ruble, moving money from mattresses into bank accounts and believing th government's mantra that it was sticking t a stable currency. The Russian Centra Bank nobly swore off using the printin press and both inflation and the mone supply were held in check.



The price of faith: Russians queue up to buy foreign currency after the ruble, which had been supplanting the US dollar as the money of choice, lost half its value

But, given Russia's oppressive do mestic tax laws and the ruble's unstabl history, oligarchs, exporters and busines interests raised the practice of movin dollars into Swiss bank accounts and rea estate in Florida into an art form. The dol lar remains the vehicle of choice for trans porting Russian wealth to safety abroad.

Russia was committed to what som called "sado-monetarist" policies tha held the ruble stable, while seemingl helpless to stop capital flight estimated a a whopping US$15-18 billion a year. The country's fiscal deficit ran rampant, totaling $108 billion between 1994 anc 1997, which was financed by flighty foreign investors and wobbly Russian banks supporting an unsustainable pyramid of domestic debt.

Dollars in, capital out

"It was a dollars in, dollars out game until the dollars stopped coming in," says Sergey Prudnik, an analyst with the Moscow-based investment bank Troika Dialog. "Capital flight has become one of the most transparent indicators of—and one of the fundamental reasons for—the country's economic crisis." As $58 billion in foreign capital came into Russia between 1994 and 1997, more than $66 billion of flight capital made the outbound journey.

The culprits of this particular strain of dollar lust are not necessarily the shifty "men in black" smuggling out overstuffed suitcases of greenbacks. Instead, the main sources of capital flight are Russian exporting companies that have concocted a dizzying ar-

▶ BACK OVERSEAS NEXT PAGE

OLITICS OF MONEY

ntinued from page one

ange-rate risk and episodes of unforeen volatility—two staples of a monetary stem ravaged by 25 years of debt, devalation and a long list of broken promises.

For the 70 percent of Mexicans who e under the age of 30, dollarization repsents a chance to import fiscal credibil- from the US. These young people are ndamentally ignorant of the privileges low inflation, and will be until someng radical is done. To amend Herzog's alogy, the arm should be amputated, ce it is riddled with the cancer of peso valuation and persistent inflation.

Indeed, Mexicans are already voting th their monetary feet. The newspapers ndor does business in dollars, as does e real estate agent. In the maritime ports most all transactions are dollar denomated. A good number of businesses calate projections in dollar terms, or use exceedingly conservative exchange- te calculation. The risk of volatility and valuation imposes a huge cost in terms time and freedom to plan. With this in ind, the objection that flexibility would lost begs the very question.

In reality, the technocratic claim that llarization entails loss of flexibility hars a crucial caveat: "flexibility" in Mex- usually means the discretionary abuse workers' salaries. By unleashing inflation, for instance, the government minimizes the cost of its debt.

Mexico's systematic violation of the monetary contract with its citizens stands in stark contrast to what goes on north of its border with the US. You don't see Texas announcing the introduction of a new currency, then devaluing the exchange-rate to neutralize an external shock such as a drop in the price of oil.

In countries with a sound currency, adjusting to external economic shocks is done by a mixture of workers migrating to another state, an increase in internal productivity and a helping hand from state governments (via a reduction in taxes or in red tape). A flexible labor market is essential to mitigate the pain that such shocks inevitably bring.

Far to the south, Argentina adopted a currency board scheme tied to the dollar which has, so far, survived speculative onslaughts and financial turbulence. The absence of exchange-rate risk allowed Argentina to kill the hyper-inflation cancer. Inflation is also zero, and the benchmark interest rate is significantly lower than in other Latin American countries.

What about the argument that Mexico would lose "an instrument of control?"

It rings equally hollow. Consider the young street vendor who sold *Zeta* and *Newsweek* for $3. At the current exchange-rate, this amount is worth 28 pesos. Or 28,000 old pesos, before the government decided to lop three digits off the currency in 1993. This is enough to finance a simple lunch -a coke and a hamburger. Yet, with 28,000 pesos, the father of the young vendor would have been able to buy a compact automobile in the early 1970s. The dollar value of the peso has fallen by over 80,000 percent in just one generation.

The peso, viewed in this light, is a product of low quality. It is not a reliable store of value and it hardly performs its duty as a unit of account. Dollarization would entail abolishing the peso's legal tender privileges and giving Mexicans the right to conduct their business in either currency.

Dollarization is not a panacea. It is more akin to a monetary straight-jacket. In Panama, for example, there is no monetary sovereignty and the economy certainly has problems that, with prudent adjustments, might be eased. But, by wearing this imported straight jacket, Panama enjoys a climate of zero inflation, with a robust banking system capable—among other things— of extending 30 year mortgages.

In the case of Mexico, only dramatic reform can remove fears of a future devaluation. If the country dollarizes, inflation and interest rates would fall to levels similar to the US. A lot of money would be saved and a lot of pain averted. ◐

ROBERTO SALINAS-LEON IS DIRECTOR OF POLICY ANALYSIS AT TV AZTECA IN MEXICO CITY

ACK OVERSEAS

ntinued from previous page

v of schemes for keeping dollar revues out of Russia.

By early 1998 many Russians must e known that the end was near-- movinto dollars or awaiting darker news h a finger on the ruble-dollar switch— the Asian financial crisis and dessed commodity prices slowly erodRussia's financial health.

A group of Russian mutual funds were ched with great fanfare by both homewn institutions and foreign asset mans such as Templeton and Credit Suin late 1997. It was hoped that the ds would draw Russian ruble savings the capital markets, since most of the ity market is dollar-denominated and transactions are conducted offshore. It was an ominous sign when only a trickle of the estimated $20 billion in ruble savings held by Russian citizens made its way into the funds prior to the August 1998 collapse.

The value of controls

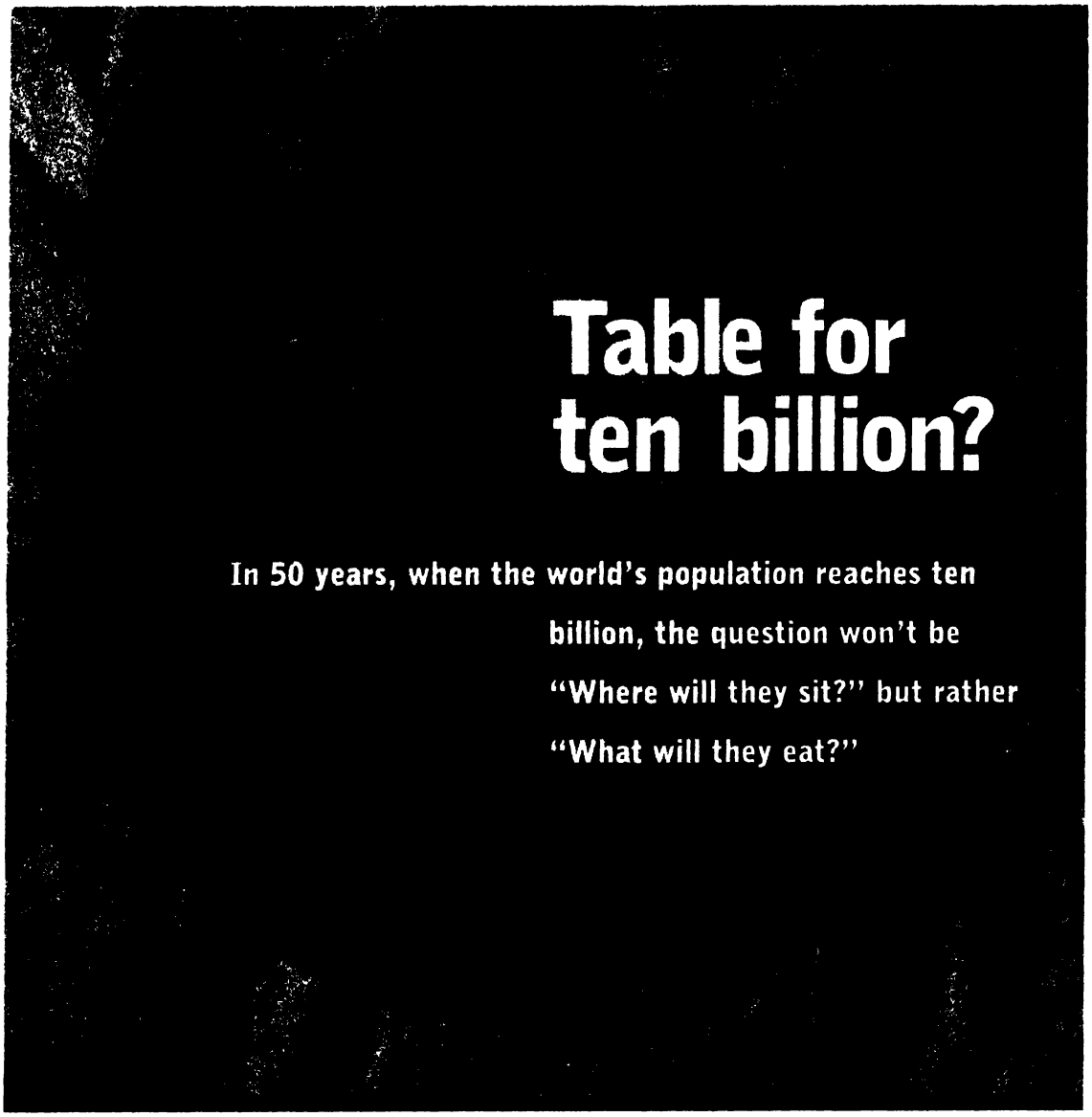
The August ruble devaluation and domestic debt default sent Russians into the streets in a quest for dollars. But as the panic sent the ruble sinking farther and faster than expected, the government cracked down with a range of currency controls, including a requirement that exporters sell 75 percent of their foreign currency earnings over a highly restricted foreign exchange system, and prevent what remains of Russian banks from speculating in foreign exchange markets.



These currency controls, while not earning Russia any gold stars from the IMF, managed to boost dwindling foreign exchange reserves for the first time this year in May.

So, once again, the dollar is heading towards the wings on Russia's financial stage. But history has proven that the beloved greenback will return, triumphant, with the first sign that the ruble is forgetting its lines. ◐

BRAD DURHAM EDITS THE FINANCIAL SECURITIES NEWSLETTERS RUSSIA PORTFOLIO AND CENTRAL EUROPE PORTFOLIO.





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The currency of colonialism won't pay for a future

West Africans reaching a consensus

Areh Sunday

REPORTING FROM LAGOS

FOR MUCH OF THE 1990S, the Economic Community of West African States (ECOWAS) has been discussing ways to introduce a common unit of exchange among the 16 member-nations. But efforts to make the leap from theory to practice have fallen flat three times so far.

One of the reasons for this is the split between former British colonies, which have their own national currencies, and most of the francophone countries which remain tied to their former colonial master through the use the French franc, better known as the CFA (pronounced cefa). Arguments still rage over the merits of the respective approaches, with the advocates of the CFA citing the reliability of the currency and the fiscal discipline its use imposes, while critics decry the colonial associations and the inability of sovereign governments to set policy.

Guinea is one francophone country that has broken ranks with the CFA. In the early 1970s it introduced its own currency—known at the time as the syril—after its attempt to expand the money supply was rebuffed by the collective central bank, Banque Centrale de l'Afrique de l'Ouest (BCEAO), based in Ouagadougou, Burkina Faso. It is noteworthy that around the same time the late Kwame Nkrumah pulled Ghana out of West African Currency Board, linked to the British pound, because the board would not approve his government's request to boost the money supply.

The Guinean experience, according to M. Mohammed Diallo, a Guinean engineer in Nigeria, demonstrates the frustrations of West African countries that use developed countries' currencies. "Once you change your currency to another dominant nation's currency, you become dependent, you stop being the master of your economy. You submit yourself to the rules and regulations of another country," Diallo says,

"It becomes impossible for real economic planning to take place," he adds, explaining that the dependent country cannot determine the real value of its currency. "When we were using the CFA, we waited each year for France to release her rate of exchange before we planned and released our annual budget. It was that bad!"

Besides the fact that the socio-political identity of any nation is strengthened by a national currency that has no ties with a seemingly stronger, dominant currency, there is the issue of setting policy. A sovereign fiscal and monetary policy requires that a ruling government have untrammeled freedom to expand, contract or stabilize the money supply.

The dictatorship of Mathieu Kerekou in Benin Republic lacked such freedom in the late 1980s. The BCEAO would not let him expand the currency supply, forcing him to reduce the number of his ministries and lay off large numbers of workers. This, inevitably, spread ill-will against him and his government, leading to the eventual collapse of his regime.

"When we were using the [franc], we waited each year for France to release her rate of exchange before we planned and released our annual budget. It was that bad!

Proponents of the continued use of the CFA by francophone countries in West Africa argue that the CFA enjoys credibility and convertibility since it is tied to the French Franc. They also point to the fact that, most of the time, the French treasury writes off the current account deficits incurred from purchases abroad (this amounted to about CFA 213 billion in 1992) and that CFA affiliated member countries benefit from their access to booming European markets.

But what has been over-looked by such arguments is that, lacking control of the CFA, the francophone countries have had to cope with arbitrary devaluation of the currency. This happened in January, 1993 when the French government lowered the CFA's value by 50 percent—with far-reaching consequences for the economic and political stability of the sub-region.

It has also been argued that use of the CFA prevents a profligate government from deciding, regardless of predictable inflationary consequences, to finance its activities and diminish the value of its debt by printing money. This, the argument goes, creates a climate that deters investment and makes people reluctant to save.

But what investment has taken place within the francophone countries that use the CFA? Apart from Nigeria and Ghana, two anglophone countries with a minimal manufacturing base, the countries in West Africa especially those that use "alien" currencies—are dependent on the export of agricultural products and raw materials, a major factor in the stagnant economic growth of the region. It is worth considering whose interest is served by this state of affairs.

It is all too clear that, as the next millennium approaches, West Africa will remain in its economically backward state unless urgent measures are taken to create stable economies. To do this requires political stability and economic planning based on national goals and assets, both of which depend on the will to remain independent of external currencies.

As to the debatable benefits of a pan-national currency, these may be achieved in a way that benefits West Africa rather than France with the scheduled introduction of a uniform monetary unit—the ECOWAS check - this month. But it remains to be seen if foreign interests will let that happen. ◐

AREH SUNDAY WRITES FOR THE LAGOS-BASED VANGUARD NEWSPAPER GROUP.

Remember, it's money, not a panacea

Time to export the symbol of American values?

In April, a subcommittee of the US Senate's Committee on Banking, Housing and Urban Affairs met to discuss the issue of dollarization in emerging economies. *WorldPaper* has edited and condensed the transcipt of that meeting:

SENATOR MICHAEL B. ENZI, (REPUBLICAN-WYOMING), SUBCOMMITTEE CHAIRMAN: The reason we are here is to talk about dollarization. This is an important issue because of the continuing struggle in emerging markets to generate long-term price stability, especially in Latin America...the advantages [of dollarization] would include less inflation, more fiscal discipline, lower interest rates, more investment, and faster economic growth.

Let me be clear: dollarization does not mean the [US Federal Reserve] will become the lender of last resort for these countries; nor does it mean the Fed will stray from the goal of price stability in the United States. However, we ought to explore the idea of sending back the extra profits we would earn from issuing the dollar—what economists call seigniorage.

LAWRENCE H. SUMMERS, DEPUTY SECRETARY, US TREASURY: To make another country's currency one's own is a momentous decision for any country...on the one hand, the presumed irrevocability of dollarization holds possible benefits in terms of lower interest rates, greater stability and possibly deeper financial markets. It is striking that dollarized Panama is the only country in Latin America with an active 30-year fixed-rate mortgage market.

On the other hand, countries must also be prepared to embrace an equally irrevocable subordination of monetary policy to discipline. In addition, a dollarizing government will have to accept losing the seigniorage revenue that domestic currency creation produces.

As I noted earlier...if dollarization helped to achieve greater economic stability and growth in countries in our hemisphere which have suffered instability in the past, this would be in the economic and broader national interest of the United States... but there would be the opposing risk that at difficult times, the loss of domestic monetary sovereignty would foster resentment and encourage policy m to deflect blame for problems.

ENZI: Chairman [Alan] Greens since there are substantial amounts of dollars already circulating abroad, see it [as being] more or less diffic you to conduct the appropriate mo policy and price stability and the things that you do? How will this be ed by dollarization?

ALAN GREENSPAN, CHAIRMAN OF FEDERAL RESERVE'S BOARD OF GOVER Well, Senator, as you point out, there is ready a very large amount of US curren in circulation outside the borders of United States . We know roughly much it is ($300 billion). We've to adjust our monetary policy to that. So on a technical sense, the be no particular problems if individual ditional countries were to dollarize so far as our mechanical capabilities of implementing the appropriate monetary policy for the United States is concerned.

But I think the secretary is raising a much broader question which goes beyond the technical aspects of monetary policy and to a large extent goes to the issues of foreign policy and diplomacy.

And I have no question that were we to find ourselves in a world in which there was a very significant amount of dollarization, wholly independent of what we did, it would be to the political interests of certain parties in other countries whose polices were less than perfect, if I may put it that way, to blame us as the root of their problems. I know of no way to avoid that.

ELTON, EMPOWER AMERICA: larization is not a new one. makes this issue one of critical im- rtance...is that the dollarization option now reached the highest levels of poli- liscussion and public debate in such tries as Mexico and Canada—our two portant trade partners.

countries are talking about ing to the US dollar to effectively re- their own domestic money or grant itizens a choice in currencies.

ould mean, at least for the three nations to the North American rade Agreement (NAFTA)—the , Canada and Mexico—establishment a common currency to more fully hieve the economic benefits of free rade and open markets: no more sur- rise devaluations; no more "competitive depreciation" tactics to gain a price advantage in shared markets; no more pro- ionist responses to exchange rate-in- ed market distortions.

I find that here we have this unique opportunity because almost spontaneously these dollarization movements have gained momentum, particularly in Mexico. We have a chance to depoliticize money.

President & Editor-In-Chief
Crocker Snow, Jr.

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Novoe Vremia *Moscow*

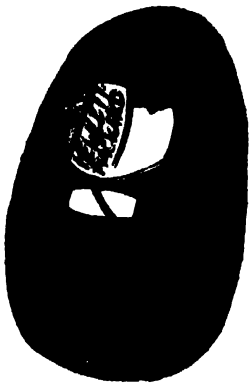
IN AFRICA
Business Nigeria *Lagos*

IN THE MIDDLE EAST
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Coca-Cola may be close to creating the world's second-biggest Coke bottling operation. Hellenic Bottling Company, which distributes Coke in the Balkans and Greece, is close to agreeing to merge with Coca-Cola Beverages (CCB) which is the group's London company. Talks between the two had begun in June, but now Hellenic is insisting that the cash portion of the $2.9 billion offer to CCB shareholders be reduced to $400 million as compared to an earlier commitment to pay as much as $850 million. Hellenic has however agreed to take on CCB's $563 million debt. Hellenic's new terms only reflect its unwillingness to incur additional debt after Coke products were temporarily withdrawn in Belgium and France as well as the European Commission decision to investigate charges that Coke has abused its dominant position in several EU markets.

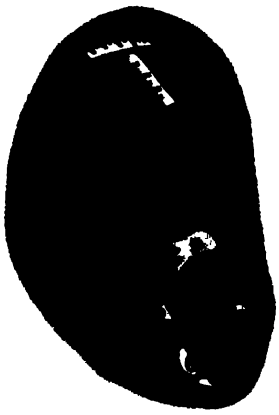
◆Wall Street seems impressed by the appointment of Carly Fiorina, a former Lucent Technologies executive, as Hewlett-Packard's (HP) president and chief executive. HP has boosted the sales of its computer and printer products in the third quarter to achieve a revenue growth of 11 per cent. The hike in



revenue is heartening for the company as it comes after several quarters of sluggish performances. HP shares are trading close to an all time high of $118. Investors are also optimistic about HP's spin-off company, Agilent Technologies, that is planned for launch later in the year. HP's third quarter earnings jumped 37 per cent to $853 million versus $621 million in the corresponding period last year. HP's revenue figures drew special attention from analysts as net revenue for the quarter was $12.2 billion as compared to $11.0 billion last year.

◆Jaguar, the luxury car from the UK, is planning an aggressive sales and marketing drive targeted at the German and Japanese markets. The company is a subsidiary of the US company, Ford, and has asked its German and Japanese management teams to draw up proposals to increase its share in markets dominated by its rivals Mercedes-Benz, BMW and Lexus. The idea is to raise Jaguar's output and sales from a record 50,000 cars last year to 85,000 this year. Jaguar's new S-type model developed at a cost of $644 million is the hope against which the increase in production is being planned. The year 1998 saw the US market accounting for almost 45 per cent of Jaguar's total sales while the UK accounted for 23.2 per cent. Germany and Japan on the other hand only accounted for 8 and 4 per cent sales respectively.

◆German engineering group Linde has made a bid for one of the top slots in the global industrial gases industry with a $3.7 billion cash offer for Aga of Sweden. The takeover move comes a month after French company Air Liquide and US company, Air Products and Chemicals, agreed to a joint $11.52 billion takeover of the BOC group. The entire exercise only increased competition for Linde's most important business areas. The Linde Aga combination will jointly control 11 per cent of the world's market for industrial gases as compared to more than 40 per cent for the combined operations of



Air Liquide, Air Products and BOC. Linde has gone from being a medium-sized industrial gases company with a strong European base to facing prospects of being dwarfed in the world market. Aga's considerable market presence in North and South America and Scandinavia have only made it an extremely attractive target for Linde.

◆The impasse over Societe Generale's (SG) future continues. French regulators have postponed announcing a decision on whether Banque National de Paris (BNP) should be allowed dominant shareholder status in the former. The postponement is being regarded as a move towards a fresh round of negotiations to seek a friendly solution to the unresolved three-way banking battle. In the past few months several attempts to broker deals have proved unsuccessful. While SG had valiantly defended its proposed friendly merger with Paribas, BNP has insisted on a triangular alliance. Shareholder voting earlier this month gave BNP a clear majority of Paribas shares and only 36.8 per cent of SG shares.

◆VNU, the Dutch publishing giant, has joined the heavyweights of the US marketing information industry by buying Nielsen Media Research for $2.7 billion. Nielsen is the monopoly supplier of the country's television audience ratings in the US. While the Dutch company paid $2.1 billion for ITT world Directories, this deal is VNU's biggest takeover ever. VNU bid $37.75 cash per share for Nielsen in the deal that will be partly funded through a global equity offering worth $1.25 billion. The rest of the money is to come from VNU's own funds and borrowings. For VNU, the takeover comes at the right time as US television audiences are able to choose from an increasing number of channels. The Dutch group sees this as an increased client base among broadcasters and advertisers anxious to know who is watching commercials on which a whopping $45 billion is spent annually. ◆

WORD COUNT

"It's good for the consumer, but it's killing the company. I don't think they can manage their cash-flow problems."

CHUNG MONG GYU, former chairman, Hyundai Motors, on Daewoo offering interest free car loans for upto 30 months in order to maintain its 25 per cent marketshare, in BUSINESSWEEK.

"For the past two decades, our small magazine tried to print what Japan's mass media were afraid to print."

Fifty-one-year-old YASUNORI OKADOME, Japan's most controversial journalist, on his magazine Uwasa no Shinso (Truth of the Rumours) through which he has waged a guerrilla war of words with the Japanese establishment, in NEWSWEEK.

"Shanghai will be China's New York. And Hong Kong, Toronto."

China's prime minister ZHU RONGJI about Hong Kong's future as he sees it, in THE ECONOMIST.

"You don't wait for the missile to launch to make your move. You strike when you are being targeted."

Tunisian-born entrepreneur, GERARD GUEZ on why his number one brand of jeans has so easily slipped into the women's private label denim market, in FORBES.

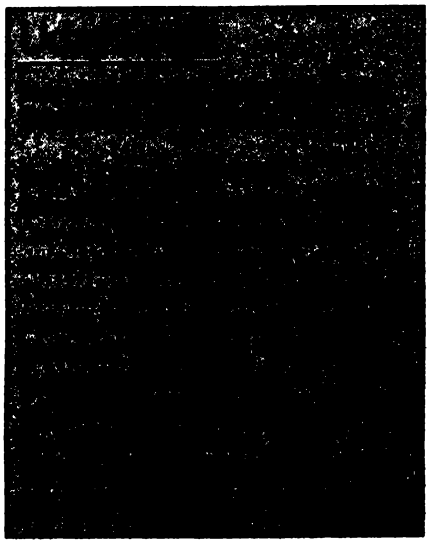


Where brashness dares

Sleepy. A good word to describe Hollywood studio Columbia Tristar's Indian outfit a few years ago. Although Hollywood companies have traditionally distributed their own films in India, it's been strictly promotional activity related to imported films and nothing more. This lack of activity was reflected in Columbia's offices — large, gloomy-looking, and piles of files with only the occasional film poster to liven up the place.

The setting, in more ways than one, was ripe for change. In 1996 the big bosses at Columbia Tristar Films (CTF) woke up to the fact that their Indian operations needed some serious rejuvenation. The first step: hire a new CEO. That's when mild mannered Uday Singh entered the picture. He was handpicked, he says, "to take forward Columbia Tristar's presence in India kicking and screaming into the 21st century". Given this mandate, Singh has wasted no time in translating it into concrete action.

Gone is the drab office. Everything is bright and spanking new. And there's a noticeable buzz in the air, what with Singh's team of media-savvy young business management graduates trooping around the place. Now Singh is talking of his most ambitious proposal yet — bringing Hollywood right into the arms of Bollywood. It seems almost unbelievable that Columbia Tristar will venture into the big and bustling world of Hindi films. But ever since it received FIPB approval in April for a 100 per cent subsidiary to distribute and produce Indian films, it has become the talk of the town.



Singh, the man at the centre of it all, confesses that life's suddenly moved fast forward. "I'd expected to get to this stage over a longer period." As he sees it now, getting into distributing and then eventually producing Indian films is a natural transition for CTF. Although Hindi film distribution has traditionally been a family-run business, it made perfect business sense for Sony to enter the Indian market in order to feed its television and music divisions. "With the setting up of Sony Entertainment Television (SET) and Sony Music, the theatrical arena was left open for us to explore," asserts Singh. In India since 1934, Columbia also happens to be Sony's oldest company.

When CTF announced that it was to distribute débutant director Raj Kaushal's, *Pyar Mein Kabhi Kabh* (*PMKK*), expectations reached a crescendo. "It was a perfect film to understand the business as well a quick platform in which to get into

lindi films with actually no financial nvestment," he says. High expectations coupled with a delayed release owing to the cricket World Cup, the box office performance of *PMKK* has been described in trade circles as abysmal. "It was a small niche film but here are no regrets," is Singh's rueful observation. Although *PMKK* is over and done with, Singh confesses an admiration for the new kind of financial model it represents — low budget, good music, good promotions. "It's still possible to make a profit on a project that is not of the blockbuster variety," he avers.

One of the high points of Singh's time at Columbia has been bagging the rights to market and distribute Disney films in India since September 1998. "We are also rated as one of the best-run offices in the Columbia chain," he boasts. As for the future, Singh envisages being involved in the distribution of 3–4 films a year, perhaps a co-production, eventually heading into actual production of Indian films. "We plan to be part of the developmental process of filmmaking which is a completely different ball game altogether. I see Columbia as a pan-Indian company — after all, we dubbed *Godzilla* in four languages."

For someone who has been involved with distribution since the beginning of his career, Singh has taken naturally to the business of cinema. While he was behind the setting-up of Philips' distribution plan for the entire southern region, in the second phase of his Philips career Singh was a business unit head for multimedia. A combined background in distribution and the media is what obviously made the Columbia bosses opt for the Hyderabad man.

He confesses liking grand-scale films like *Lawrence of Arabia*, *Gandhi*, and *From Here to Eternity*. Favourite Indian actors range from Amitabh Bachchan and Rekha of the past and Aamir and Kajol in the present. A good way for him to relax is a swim every day. Described by some in the film trade as brash and by others as dynamic, Singh's had the gumption to enter unknown territory. But the big challenges still lie ahead.

• GAURI VIJ

FRONTRUNNERS

Churning assets

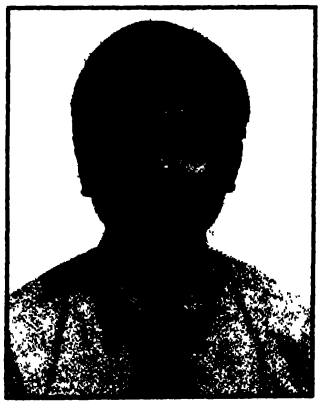

SANJAY BORDE

An action-packed nine years of professional life and five job changes later, N. Krishna Kumar is excited about the newest turn in his career. A qualified chartered accountant, 30-year-old Krishna was recently appointed fund manager at Prudential-ICICI Asset Management which has Rs1,580 crore under management in its 10 schemes. He seems a natural for the job. "I've been investing in stocks since I was 18 years," he says gleefully.

Krishna started his career as an article clerk with Calcutta CA firm, LB Jha & Co, in September 1990. After three years of management, internal, statutory and tax auditing, he moved on to pharmaceutical company, Infra India Ltd. At Infra for a year, Krishna got a taste of international accounting standards as he had to constantly report to the parent company in the Netherlands. It was in 1994 that Krishna moved closer to his future when he joined Platinum Finance as a research analyst specialising in small and mid-cap stocks. A year later, he decided that Mumbai city, the financial capital, had to be his next stop.

For two years, Krishna researched the cement, cotton, textiles and non-ferrous metal sectors at UTI Securities Exchange Ltd. Then June 1997 saw Krishna joining Dresdner Kleinwort Benson India as vice-president, equity sales. Two years later, Krishna is thrilled to be part of Prudential ICICI Asset Management. "I've been lucky to be able to move from the sales side of finance to brokering." A keen oarsman in Calcutta, Krishna rues that he cannot find the time to keep up his rowing activities in Mumbai. But that's a small price to pay for being in the centre of action.

• GAURI VIJ



A stimulating sector

At 30, Vivek Mathur says his search for a job with both creative satisfaction and intellectual stimulation has finally ended. As the youngest manager in the management consultancy firm KSA Technopak, Mathur has been working extensively for the last one year with ITC for the company's soon-to-be-launched retail business. "Retail is the next best thing to have happened to India after the software revolution," says Mathur, who has also worked with Shoppers' Stop and a host of other projects overseas in the four-and-a-half years that he has been with KSA Technopak. "There is never a dull moment in consulting and retailing. You have to keep your antennae up all the time for new business," says Mathur.

The situation, however, was not always so satisfying for Mathur. An electronics engineer from ITBHU, Benaras, he started his career with HCL where "he put all that he had learnt to test" working on a mini computer but realised soon enough that he found the work atmosphere claustrophobic. He took a year off to do his MBA from FMS, Delhi. A marketing job with Arvind Mills (Mathur was instrumental in starting the company's office in Chennai) too became monotonous for Mathur after a-year-and-a-half. "Selling fabric day in and day out to the same set of manufacturers wasn't intellectually satisfying," explains he.

All this changed when Mathur joined KSA Technopak as a consultant in 1995. "The organised retail sector is just coming up. I see myself working in this field in the forseeable future," says Mathur.

• PUNAM THAKUR

Room for more

Indian Hotels Company or the Taj group of hotels, resorts and palaces continues to look outwards as it re-engineers and adopts an across-the-board best practices methodology. New professionals continue to be taken on board to provide the cutting edge of contemporary management.

Nihar Rao has been roped in from Reliance Telecom and has joined as chief information officer heading infotech systems. With Indian Hotels centralising operations out of Mumbai, Rao is expected to play an important role in broadbasing the common technology thrust. Shiv Kumar meanwhile has taken over as finance controller for the leisure brand, while Sandhya Kunjur joins the same division as marketing manager from Trikaya Grey.

But these are mid-level changes. There's lots going on at the top-level too, say Taj insiders. The biggest change is a consequence of S. Ramakrishnan's departure to Tata Teleservices as managing director as of September. This will naturally create a lacuna at the top since Ramakrishnan, who is part of Tata group chairman Ratan Tata's inner circle, was deputed to the hotel company as number two to managing director R.K. Krishna Kumar, after the 'resignation' of chairman Ajit Kerkar.

So who's going to be the new number two? Some say that Zubin Dubash, presently executive director-finance, has a good chance to get a leg-up. But the other buzz is that since this position was a transitionary one to enable the new management team to grapple with the changes, no one will be elevated to this position. That leaves a question mark over long-time director Camellia Panjabi who heads up marketing and what role she'll be playing in the new dispensation. Wags are seeing something in the fact that the widely-respected Panjabi has taken a sabbatical from her job recently.



PALASHRANJAN BHAUMICK

Ramakrishnan's exit from the Taj group has created room at the top

One-way tickets

Foreign postings are much sought after in most multinationals. Indeed, many of them use that as a bait to lure newly qualified MBAs. But if you happen to be a senior manager in Hindustan Lever, you'd be justified in viewing them warily. It is an open secret that at a certain level, these postings are one-way tickets. Between themselves, Lever managers openly talk about their colleagues posted abroad who are not likely to return simply because the Indian system cannot absorb them at the level they would be entitled to. And these cases could be of very senior managers who are even country heads at the moment. Such talk isn't idle. Recently, two managers working overseas have been given golden handshakes. Anjou Choudhry, formerly general sales manager in Mumbai, has quit his post in China and returned to Delhi. Vinod Punshi, once head of chemicals has also resigned. His last job was at Unilever, London.

Rolling stone

Sometime back we had reported that cigarette giant ITC was busy scouting around for a successor for vice-president, corporate communications, Adity Shyam, who is slated to retire next year (see *Business India* 22 February 1999). Apparently the search, in which chairman Y.C. Deveshwar has taken a personal interest, is over. The new man is former journalist S.H. Venkatramani who's been a bit of a rolling stone in the PR world. His stint at Essar in Mumbai lasted a few weeks after which he joined ICI in Delhi. A few months later he opted out for Ranbaxy, an assignment he took up less than a year ago. It was a well-known fact in PR circles that Venkatramani didn't take long to get disenchanted with the pharmaceutical company as well. Hopefully, the ITC bigwigs won't smoke him out too quickly.

Pricey CEO

Amongst the host of problems that ailing companies face, attracting people is one of the biggest headaches. Who wants to come on board a sinking ship? And if the post happens to be that of CEO then they'd better be prepared to shell out big bucks. The beleagured NRC Ltd of the G.P. Goenka group faced such a situation when it began scouting for a turnaround man.

They finally found him recently in P.S. Sharma who is the new CEO of the company even as Satish Budhiraja continues as managing director. Both report to the chairman. Sharma, who was president-plant operations at Sriram Rayons, is credited with turning it into a profit making entity. Getting a board level position and a generous package no doubt contributed to Sharma's decision. And of course, the challenge of turning around NRC. •

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Work Experience: At least 5 years brand management experience in any reputed FMCG company. Experience in the liquor industry is desirable, but not essential.
Age Group: 30-35 years. Location: New Delhi.

Zonal/Regional Managers (03):
Qualifications: Graduates, preferably from Management Institutions.
Work Experience: At least 8-10 years in any reputed FMCG company. Experience in the liquor industry is desirable, but not essential. A minimum of 2 years should have been spent heading a zone in a similar capacity.
Age Group: 30-35 years. Location: Mumbai, Calcutta, Delhi, Hyderabad.

Area Managers(04):
Qualifications: Graduates, preferably from Management Institutions.
Work Experience: At least 5 years in any reputed FMCG company. Experience in the liquor industry is desirable, but not essential. At least 2 years should have been spent in a similar capacity.
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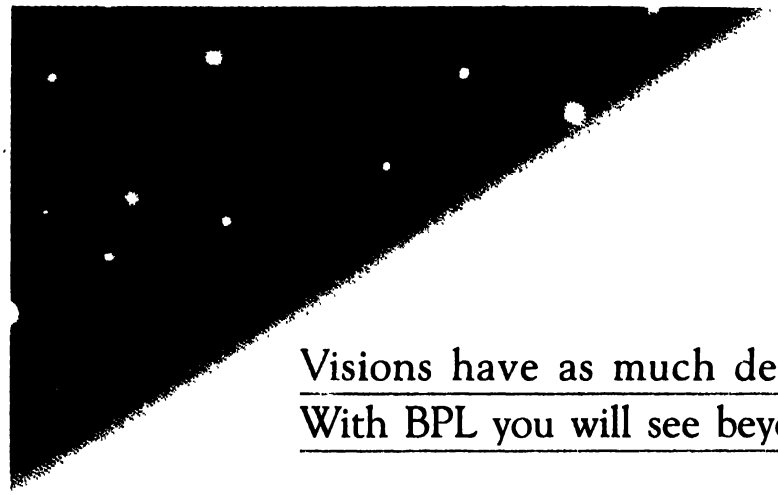
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APPLE

By Jim Carlton
Random House Business Books, 1997
pp469, £8.10

After Tracy Kidder's seminal *The Soul of a New Machine*, this book probably qualifies for the award for the best in-depth look at the workings of a 'leading-edge' technology company. Apple Computer is the brainchild of two seriously nerdy computer freaks, Steve Jobs and Steve Wozniak. It made the world's first popular desktop computer, the Apple II, and followed up this success with the wildly successful Macintosh. That propelled the company into the stratosphere, with sales touching well over $9 billion in 1992.

Unfortunately, the company has never been able to touch those heights again. It has lost both share and sales ever since, repeatedly disappointing a huge and loyal band of users and dealers again and again with market and product decisions rapidly reversed even before they are properly implemented. More than any appliance ever, this company's products have evoked a fervour from users that verges on religion.

To attempt to analyse this amazing roller-coaster ride Jim Carlton, a *Wall Street Journal* writer based in California, spoke to literally hundreds of insiders and other Silicon Valley residents.

People from the subcontinent may find the omission of well-known Indian names from the slew of interviewees slightly strange. About the most familiar recent voice missing from this opus is Sabeer Bhatia, who left Apple to found Hotmail. Satjiv Chahil, another Indian whose influence on the company in the 1990s was phenomenal, finds mention, but no direct quote. Gursharan Sidhu, whom Jobs wheedled to Silicon Valley from his assignment with Salinas' Mexican government in the early 1980s, came in to invent desktop publishing, giving the Mac a tenacious hold on an entire industry, and ended his career with Apple as a Fellow, a sort of director without specific portfolio, a post given to the company's most valued employees. Sidhu finds no mention at all in the book, surely a bit odd when other Fellows do crop up here and there.

Having missed some of these notables, the author does manage to meet just about everybody else, even people whose record does not come off too well (which is most of Apple's senior management from time to time) in his effort to unearth the story of how a dream gets tarnished.

As is mostly acknowledged, a large part of the blame lies in the company's intransigence in sticking to its proprietary format (it held tight patents on both software and hardware, and except for a brief period in the 1990s never licensed other manufacturers). The IBM-designed personal computer, on the other hand, while never "insanely great", was accessible to anyone with the drive to design a better manufacturing process. Companies like Dell and Compaq could not have succeeded (or even existed) had the IBM-compatible not been a viable concept.

Apple, we find out, did not maintain its inward-looking approach by choice, but by sheer bloody-mindedness. Time and again senior executives crafted alliances with the industry's best names, all of whom needed to be in the desktop market space. Apple, too, could have done with some support away from the desktop, but it was not to be. Sun, Silicon Graphics, IBM, Oracle, and others came and went. There were talks of mergers, strategic alliances, acquisitions. Jobs went away and came back, following several generations of variously enabled and disabled chief executives.

The revolving door began with John Sculley, the Pepsi man who made "the other guy" blink. After a while he made Jobs blink, too, and forced him off the board. Jobs moved to found his own high-technology venture, NeXT Computer, of which more later. Sculley had to move on after a while, as Carlton describes, primarily because he thought of himself as technologically abled in a world of nerds. He was replaced by Michael Spindler, who fancied himself as the salesman *par excellence*. Spindler spun off when sales drooped, to be replaced by Gil Amelio, who had built a reputation for himself as a turnaround artist at National Semiconductor.

Turnaround meant cost-cutting, in a technology industry where falling behind can be terminal. However, the company found the cash to buy off NeXT, mainly for its operating system, because MacOS was beginning to creak and sway. The NeXT OS hybrid, codenamed Rhapsody, was to revolutionise the Mac operating systems with its advanced features, but alas, it also ran into a revolving door when...

...Jobs came back to Apple as acting chief executive, easing Amelio out. He also retired Rhapsody, bringing MacOS8.0 back into focus. He brought in $150 million of cash support from 'arch-enemy' Microsoft. And, most importantly, he introduced the next "insanely great" Mac, the iMac. This product, built on the fruit of a collaborative chip design effort between Apple, Motorola, and IBM, surpassed all previous bounds in PC design. While Compaq had introduced the 'one-piece' home PC some years before, it never had such an appealing design and performance. Amelio had succeeded in reducing the complex Mac product offering, spanning some 40 models, to the minimum, but Jobs enhanced that decision by creating the world's first true home product.

This is where the book, 'revised and updated' as this edition is, ends. Carlton predicts that Jobs has really blown it, this is goodbye Apple, the iMac can't possibly succeed, and most

importantly, it can't rescue Apple. Having spent most of the book in subtle and not-so-subtle attacks on the poor performance of Apple chiefs and department heads (Sculley, Spindler, Gassee, Diery, Bastiaens, Amelio, and, of course, Jobs, among the many), Carlton now tacks on a hurriedly written chapter to bring the book as near the day as possible.

As we all know now, the tables are truly turned on Carlton. The iMac, far from flopping, has been a brilliant success. Demand has not flagged, the product is getting ongoing improvements, which keeps the market buzzing, and best of all, the company has reported profits for seven straight quarters, something that it hasn't managed since 1995. Jobs has just announced the iBook, a laptop designed for aesthetics with performance, which has been getting rave reviews and, more importantly, positive sales since July.

All in all, the book is unputdownable for anyone who ever aspired to own a Mac but never knew whom to ask for help when things went wrong (Apple India, which doesn't figure in the book, is another of Apple's unpredictably poor decisions, neither providing good service and support nor getting recognition from the head office), especially if you live in India. The iMac has not had the stunning success here it enjoys in other markets, and this is largely because the company is unable to meet the stringent price barriers set by the Wintel (*Win*dows, from Microsoft, with In*tel*, the chipmaker) alliance. At over Rs60,000, the iMac is singularly more expensive than the Pentium III machines running Windows, which can be got for as low as Rs40,000 with somewhat similar configurations. In the US, contrastingly, the iMac retails for around $1,300, comparing to above $1,000 for a decent branded PC. Be that as it may, Apple is back to stay a while, and given a much more comfortable relationship with its principal software supplier Microsoft, should be around for another look through rosier-tinted spectacles than this otherwise excellent book provides.

♦ VICKRAM CRISHNA

Gang of forty



FACES
Forty In The Fray

By Janardan Thakur
Business Publications Inc, 1999
pp241, Rs150

For whom are you going to vote in this election? Not too sure? Well, it's hardly your fault for today even a Laloo or a Mayawati can tilt the scales in favour of a political formation. However, what can help you make a decision is *Faces* by veteran journalist Janardan Thakur (who incidentally is no more), released at this very opportune moment.

Our politicians are as alike as chalk and cheese. Or to put it another way pasta and *sarson ka saag*. However, Thakur manages to detail these disparate personalities with elan. No ordinary narrating for Thakur. The politicians are treated like characters of a play; the titles too hit the nail on the head, in a manner of speaking. So Farooq Abdullah is 'Kashmir's Middleman', K. Karunakaran the 'Malayalee Manipulator', Sharad Pawar is the 'Clever Go-getter', and Uma Bharati, what else, but 'Glamour in Saffron'.

The book is loaded with interesting anecdotes, hits and misses in the lives of politicians, the behind-the-scenes manoeuvering that is an inseparable part of Indian politics, and of course the role destiny has chosen for the leading lights. Deve Gowda clearly emerges as a man of destiny. Gowda, who must have never in his wildest dreams even thought of crossing the borders of Karnataka, became prime minister thanks to his equation with Narasimha Rao. And this, when the NF–LF leaders were only considering Jyoti Basu and the Raja of Mandi (V.P. Singh) for the top job.

Thakur compares Atal Behari Vajpayee and Lal Krishna Advani — the two most happening people of the coming millennium — to General Patton and Bradley, who led the Allied onslaught on the Nazis. Carrying the analogy further, the author writes that though it was Patton's charisma that is the most remembered, those who fought in the Second World War would tell you that Bradley's (Advani's) contribution was no less vital in winning the war. 'Always The Regrets' on Advani is the tale of a politico who could have become prime minister of the world's largest democracy were it not for the tragic events of 6 December 1992.

Though politics is a written-to-death topic, it is the disparities in the personalities of politicians that makes for interesting reading. On the surface, Vajpayee and Jyoti Basu belong to a different league altogether from Laloo and Kanshi Ram. But Thakur firmly believes that when it comes to Indian politics there's place for everyone; the common thread running through all of them being that they are all consummate politicians who have their fingers on the pulse of the common man.

Though on personalities, the book also offers a bird's-eye view of post-Independence Indian politics. It is recommended for those who want to know what makes Indian politicians tick. Each personality receives fair treatment in terms of number of pages and the sequence is not of any particular importance. For example, you find the chapter on Vajpayee almost at the fag end of the book.

A surprising omission from the book is Narashima Rao. Is the man responsible for setting in motion liberalisation, which has changed the face of India forever, not worth a mention? Maybe his lacklustre personality, and the fact that Rao is now forever consigned to the rank of the has-beens, may have something to do with his omission from this otherwise very comprehensive book.

Some of the important chapters like the ones on Vajpayee, Sonia Gandhi, and L.K. Advani could have done with more biographical information However, standing out in the glut of other political books, *Faces* seems to be a winner, entertaining as it is, also saving the reader the trauma of going through endless facts and figures.

♦ ROY VARGHESE

The official version



THE SENA STORY



By Vaibhav Purandare
Business Publications Inc, 1999
pp462, Rs250

The 1960s were a decade of ferment in Indian politics. The innocent idealism of the Independence generation was fast losing its sheen. Independent India realised that political idealism was ill equipped to deal with the multitude of problems that the country and its people faced. The decade saw the end of the Nehruvian era, and with it the beginning of the politics of degeneration; politics based on the narrow perspective of regionalism. Regional aspirations were barely contained during Nehru's times; after him, the floodgates were forced open.

The Dravidian movement in Tamil Nadu began in the 1920s, but it acquired political teeth only in the 1960s, as did the Akali Dal in the Punjab. The communists in West Bengal would not like to be called a regional force, but they were among the first in the 1960s to demand the implementation of the policy of preference for the *bhoomiputras* of Bengal.

At that time Jyoti Basu became, for a brief while, the deputy chief minister of the state, largely on regional appeal, and his party formed the government in coalition with a regional variant of the Congress, the Bangla Congress. The obvious explanation for the rise of regional forces was the weakening of the Congress. For the first time the party was voted out of power in the states and could barely manage to hang on at the Centre.

The Shiv Sena was born out of the turmoil of that decade. The Bombay Presidency's trifurcation in the 1950s was incomplete and the Samyukta Maharashtra movement led by the socialists and communists in the latter part of that decade forced the Congress to include Bombay (now Mumbai) in Maharashtra.

However, soon thereafter, the left-oriented liberals went their separate ways and the Congress soon re-established its hold in the newly created Maharashtra. While attempting to explain the rise of the Shiv Sena, popular journalism and political storytelling always resort to the much-(ab)used theory that the local population was not given an adequate share in the economic spoils of new state. Unfortunately, Vaibhav Purandare's book also falls into the same trap.

This caused resentment against the "outsider" and gave an impetus to forces like the Shiv Sena. If this was, indeed, the Sena's aim, it should have stuck to it, instead of discarding it at as soon as it realised that the Marathi *manoos* plank could not give it any major political dividends.

Purandare's book details the rise of the Sena meticulously and with dexterity. Though it is not mentioned anywhere, the book is virtually an official history of the Shiv Sena. Nothing wrong with that. The Sena has a particular ideological mooring that it has never cared to hide or camouflage. But the almost one-sided presentation of the 'facts' deprives the book of a richness it otherwise could have had.

The author adds his own observations to balance and even out any adverse remarks and provide a perspective which is often the Sena's official line of thinking

Purandare quotes some of the harshest critics of the Sena (Mrinal Gore and Ahilya Rangnekar, for instance). He also quotes well-known academic experts on the Sena like Dipankar Gupta. But after every quote that seems even remotely critical of the Sena, the author adds his own observations to balance and even out any adverse remarks and provide a perspective which is often the Sena's official line of thinking.

This too-clever-by-half ploy does not serve any purpose. In fact, it robs the book of its seriousness. After a point the book begins to read like an official text prepared by the Sena leadership to explain every critical observation raised since its inception by people opposed to the Sena's ideology.

This first authentic history of the Shiv Sena also fails to live up to expectations because, like most Shiv Sainiks and sundry political commentators, Purandare equates the Shiv Sena with Bal Thackeray. For the followers of the party, the two are inseparable. But this is strictly not true: it hasn't been for nearly two decades now.

The party has grown to its size during the last decade and a half not because of, but in spite of Bal Thackeray. While not denying Thackeray his claim to fame, what cannot be overlooked is that, during the late 1980s and the 1990s, the Shiv Sena has been filling up the political vacuum created by the shrinking base of the Congress.

The role other backward castes have played in its rise is also not properly explained. The author fails to comprehensively understand several political nuances that have made the Sena the force that it seemingly is at present. What is also not adequately explained is the Sena organisation's inherent weaknesses.

The recent spat between Uddhav and Raj Thackeray may not lead to a split that followed an earlier one between Chhagan Bhujbal and Manohar Joshi, but is indicative of an impending crisis that may completely destroy the party after Bal Thackeray.

Though the book only mouths the Sena's official line, it is nevertheless important because it is one of the few books on the Shiv Sena. It is surprising that academicians or journalists have not adequately explored a phenomenon like the Shiv Sena. There are just a handful of books and research studies on the Sena; most of them rather outdated. Even in Marathi there has been nothing substantial on this sociopolitical and cultural phenomenon called the Shiv Sena, the notable exception being Prakash Akolkar's *Jai Maharashtra*, which is a far more politically mature book.

MAYANK BHATT

FILMS: WORLD'S FAVOURITE STARS

Not the usual suspects



What? A list of 25 greatest male stars and no Robert De Niro? No Dustin Hoffman? Not even Tom Cruise? And a list of 25 female stars *sans* Meryl Streep? Has America gone mad? No, it's just that the American Film Institute (AFI), smitten by the idea of publishing 'best' lists, decided that, to be nominated for its list of 50 greatest ever film stars, the actor should have debuted before 1950. Which left the likes of Sharon Stone and Jessica Lange no chance of being acclaimed as all-time greats. Had Sean Connery been around in films in the first half of the century with a few black-and-white films to boast of, he would have made it to the list. Since, he wasn't, he hasn't.

Poor De Niro. He made a black-and-white film and turned in one of the greatest performances in screen history as boxer Jake La Motta; pity is Martin Scorsese made *Raging Bull* (1980) in the wrong half of the century. So, who's made it to the list of 50? Humphrey Bogart, the archetypal lone wolf and star of classics like *Casablanca* and *The Maltese Falcon*, has been rated the greatest male star, while Katharine Hepburn, the beautiful and gifted actress of *The Philadelphia Story* and *Bringing Up Baby*, is the number one female star in history. Bogart and Hepburn came together in John Huston's *The African Queen* and turned the picture into a sheerly enjoyable, scintillating affair.

Bette Davis, Audrey Hepburn, Ingrid Bergman, and Greta Garbo take the next four spots after Katharine Hepburn, while Cary Grant, James Stewart, Marlon Brando, and Fred Astaire follow Bogie on the list of male stars. After naming the top 100 films last year, AFI announced a list of 500 nominees for history's greatest movie stars. Film directors, actors, critics, Hollywood industry types and high-profile cineastes were invited to pare that list down to 50–25 male and 25 female stars. (The last time round Bill Clinton sent in his list of top 100 films).

The results are provocative, to say the least. American domination was only to be expected, but since Ingrid Bergman (4), Greta Garbo (5), and Sophia Loren (21) have made it, it is difficult to understand why Anna Magnani didn't. French actress Jeanne Moreau was not even nominated. Accomplished British actresses Joan Fontaine and Jennifer Jones fail to make the 25, as do Deborah Kerr, Olivia de Havilland, Lana Turner, and Louise Brooks. This is particularly surprising considering the presence in the list of Mae West and Shirley Temple. You might have expected to see Gloria Swanson somewhere, if only for her unforgettable performance in Billy Wilder's *Sunset Boulevard*.

The absence of several distinguished British actors in the male list is no less surprising. Charlie Chaplin is at number 10 and Laurence Olivier, who many would rate among the greatest stage and screen actor of this century, is at 14. Apart from them, there is no Alec Guinness, he of the magical chameleon talent, John Gielgud,

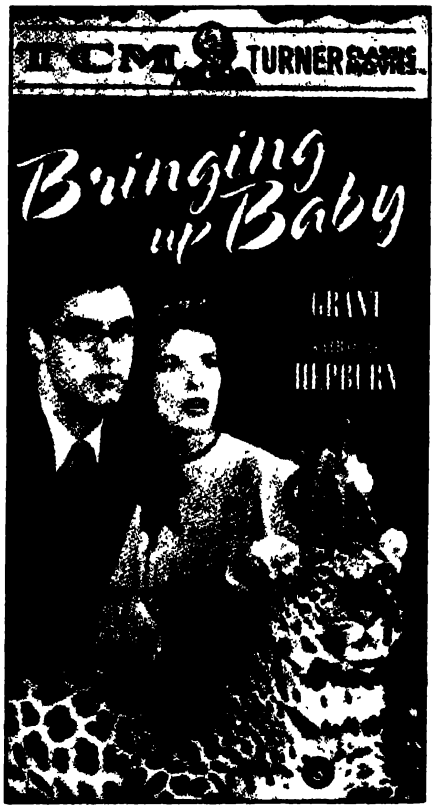


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❶ *Katharine Hepburn*
❷ *with Humphrey Bogart in* The African Queen
❸ *with Cary Grant in* Bringing up Baby.
❹ *Bogart and Ingrid Bergman in* Casablanca.
❺ *The greatest actor of them all?*









5

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Top 25 male stars	Top 25 female stars
1. Humphrey Bogart	1. Katharine Hepburn
2. Cary Grant	2. Bette Davis
3. James Stewart	3. Audrey Hepburn
4. Marlon Brando	4. Ingrid Bergman
5. Fred Astaire	5. Greta Garbo
6. Henry Fonda	6. Marilyn Monroe
7. Clark Gable	7. Elizabeth Taylor
8. James Cagney	8. Judy Garland
9. Spencer Tracy	9. Marlene Dietrich
10. Charlie Chaplin	10. Joan Crawford
11. Gary Cooper	11. Barbara Stanwyck
12. Gregory Peck	12. Claudette Colbert
13. John Wayne	13. Grace Kelly
14. Laurence Olivier	14. Ginger Rogers
15. Gene Kelly	15. Mae West
16. Orson Welles	16. Vivien Leigh
17. Kirk Douglas	17. Lillian Gish
18. James Dean	18. Shirley Temple
19. Burt Lancaster	19. Rita Hayworth
20. The Marx Brothers	20. Lauren Bacall
21. Buster Keaton	21. Sophia Loren
22. Sidney Poitier	22. Jean Harlow
23. Robert Mitchum	23. Carole Lombard
24. Edward G. Robinson	24. Mary Pickford
25. William Holden	25. Ava Gardner

Charles Laughton, and Ralph Richardson. It's strange to have Edward G. Robinson as the 24th most admired male star in history when the marvellously talented Trevor Howard, the pride and glory of David Lean's *Brief Encounter*, fails to find a place.

The omission of Richard Burton is a little striking too. Peter O'Toole was not even among the 250 nominated actors, though it is possible he made his debut after 1950. But that certainly isn't the case with Marcello Mastroianni, whom AFI historians perhaps forgot. It is amazing that they did not consider the Italian actor even worthy of nomination. Montgomery Clift – who can forget him in Howard Hawks' *Red River* – doesn't make the grade, while Robert Mitchum does. Paul Muni, the original *Scarface* much before Al Pacino was even born, isn't there either, while Kirk Douglas occupies a relatively high perch at 17. More surprisingly, how come America forgot its love affair with Ol' Blue Eyes? Frank Sinatra is not in the list. Ditto swashbuckler Errol Flynn, whose action-adventures in the first half of the century wowed the world. And John Huston?

AFI has certainly touched off what it wanted to through its list of greatest stars — a controversy. AFI spokesman Seth Oster said, "We hope that this list will ignite passions and spark debate. We embrace any controversy about this year's list because it shows people are passionate about the movies." Apart from the controversy surrounding the names that are on the list and those that are not, the AFI's list has ignited some passion about its brazen attempt to collaborate with CBS Television to bring in bagfuls of money. AFI is a respected, publicly-funded arts body that encourages that study of cinema as an art form, but in recent times it has been indulging in controversial exercises to bring in money through television shows. Its collaboration with CBS last year for a programme on the 100 greatest ever films (which had Orson Welles's *Citizen Kane* at number one) earned very high ratings and top sponsors rushed in with advertising support.

The star list programme shown a few weeks ago brought in similar sponsorship gains. The star list has surprises, though nothing quite as stunning as the ones thrown up in BBC's online list of the greatest stars of the century, which has Amitabh Bachchan at top spot and, would you believe it, Govinda at number ten. Looks like it's the season of mad lists.

• SANJEEV VERMA

GOURMET: INDIAN COOKING

A culinary kaleidoscope



The story of Indian food is wondrous and sumptuous. If food means a little more to you than merely a means to sate the urge to eat, you are unlikely to tire of the countless tales and legends behind Indian cuisine. You could at random pick any favourite dish - 'Haleem', 'Meen Moily', 'Yakhni Pulao', or the plain and simple 'Adraki Khichdi', for that matter – and discover a rich and fascinating tale behind it. No wonder the historical, regional, and religious resonances of Indian food keep gourmets spellbound, ever on the lookout for information to sink their teeth into.

The search for good, authentic writing on Indian food, just like the quest for new recipes, is far from easy. Published research material on the history of Indian cuisine is astonishingly meagre. The best hope for dogged foodies usually is to speak to families that still use traditional recipes in the kitchen. You find these families in Delhi, Lucknow, Hyderabad, Calcutta, or Goa, and from their reminiscences of their grandmothers' recipes string 'together some fine stories about Indian food. Any effort made to add to the insufficient body of food literature can only be lauded.

The Pleasure of Indian Cooking, a new CD-ROM produced by Pune-based Ascent Interactive Multimedia Services and marketed by BPB Multimedia, offers a remarkable journey into some 5,000 years of Indian cuisine. Both in technique and style it lacks the slickness of a first-rate multimedia product, but the culinary insights it provides turn it into a significant addition to the grossly inadequate body of authentic published material on Indian cuisine. The quality of sound and images contained in the disc, apart from the choice of these excerpts, is far from good, but the rigour that has gone into the information researched, culled together, and offered is never in doubt.

Particularly fascinating are the recipes from the Harappan and Aryan periods. Many of the current food habits in India can be traced to the Aryan civilisation, which did not see food merely as a means of physical sustenance but as part of a cosmic circle. Food at that time was a part of spiritual and temporal life. "What you are is what you eat," was the Vedic dictum and food was eaten according to region, season, and climate. The ginger-flavoured rice and lentils

oday's Adraki Khichdi), for instance, widely considered poor man's food, ut had with all the accompaniments ghee, papad, curds, and pickle – it has een a favourite for nearly 3,500 years. Emperor Akbar enjoyed it on days of abstinence, when no meat was used.

It is these simple recipes that make his disc unusual. From the Buddhist period there is the recipe for 'Shashkuli', today's 'Tilkut' — sesame seeds, one of the nine sacred grains, compounded with coarse rice and jaggery and rolled into balls. Haleem, cooked in many kitchens, especially Hyderabadi, is offered as an example of other faiths and their influences on Indian food. One of the Nizam's favourite dishes, this dish from the Hyderabadi royal kitchen is a finely ground paste of wheat and meat. It is one of those dishes that is difficult to get right; it tends to be either great or disastrous. Ditto for 'Dalcha', mutton stewed with dals and tamarind, and 'Shahi Kaleji', liver roasted on charcoal and fried with spices and placed in curd.

Indian food is broken up into sections: history, spa cuisine, regional, popular, and festival. The section on festival food is particularly interesting, with video clips setting the scene for various festivals – Id, Diwali, Onam – and with suggestions made for an authentic festival platter. The Baisakhi platter is absolutely mouth-watering, with 'Bhuna Gosht', 'Palak Paneer', 'Chana Pindi', 'Dahi Wada', 'Matar Chawal', 'Imarti', and 'Kheer', but the rumbustiousness associated with the Punjab festival is missing in the video lip. It is presented almost as a staid *irtan* and *langar* affair in a gurdwara. The Ramzan Id platter with its mutton delicacies and savouries, like the classic 'Sheer Khurma', is no less delectable. Ditto Diwali, though, inexplicably, it's mostly sweets that are suggested for the festival meal; the puris and kachoris, and the inevitable 'Seviyan' (vermicelli kheer), are missing. For Holi food there no mention of 'Gujiya'.

The section on festival food proves one thing: most Indian festivals are not so much about fasting as feasting. In particular, the food associated with Ramzan is a gourmet's delight. As is the case with Durga Puja and Onam. The regional food section is comprehensive and has some interesting recipes, though the absence of 'Gushtaba', 'Rista', and 'Tabak Maaz', the Kashmiri delights, from North Indian food is surprising. A Kashmiri meat spread is for most carnivores the jewel in the crown of Indian food. There is also not enough about Malabar and Mangalorean food. Its technical limitations apart, *The Pleasure of Indian Cooking* clearly reveals that CD-ROM is the right vehicle for a journey through the stunning variety and richness of Indian cuisine.

• SANJEEV VERMA

HINDI CINEMA

Return of the musical



Remember the golden age when Bharat Bhushan was the presiding deity — as movies like *Baiju Bawra* and *Mirza Ghalib* dominated the national consciousness? For years Hindi movies ran out of tune with reality after the eclipse of Rajesh Khanna with the gargantuan Amitabh Bachchan bestriding Hindi cinema like a colossus. Salim-Javed's pen and Yash Chopra's, Manmohan Desai's, and Prakash Mehra's cinematic craft took Bachchan to the zenith. Movie after movie showcasing his histrionic talents ran to packed houses.

Till the audiences were simply devastated. Before Rajesh Khanna, who used the team of Kishore Kumar and R.D. Burman to great effect, Rajendra Kumar, Shammi Kapoor and Dilip Kumar had played the romantic hero to perfection. Music was all-pervasive till the dawn of the Bachchan era. Bachchan with the Paul Muni voice was a revelation; tall, gawky, and yet intense, with a penchant for dramatic roles. *Zanjeer, Deewar, Trishul, Kala Patthar, Lawaris, Muqaddar ka Sikander, Adalat, Kaalia, Don, Natwarlal, Naseeb, Amar Akbar Anthony, et al* displayed emotional angst hitherto unknown and unseen.

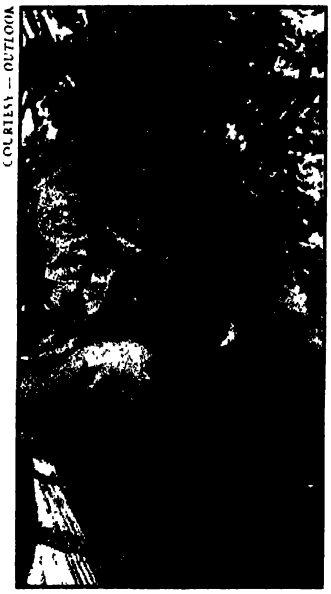
But the advent of *Qayamat Se Qayamat Tak* changed everything, Bachchan suddenly appeared over the hill as the neoteric generation lapped up Aamir Khan singing *Papa kehte hain*. This was followed in quick succession by *Maine Pyaar Kiya* and *Hum Aapke Hain Kaun*, the chatterati describing them as three-hour-long *chitrahaars*. Music was back and how! Yash Chopra, who had tried to change Bachchan's image with *Kabhi Kabhi* and *Silsila* with excellent music, now moved into overdrive. *Chandini* was followed by his son's maiden venture *Dilwale Dulhaniya Le Jayenge* and then his own *Dil To Paagal Hai*. All three movies gave hit music. Jatin-Lalit and Uttam Singh became household names in the bargain.

So, the importance of music became a vital ingredient all over again. This year we have seen *Hum Dil De Chuke Sanam*, brilliantly photographed, with rich sets and colours set to the incomparably refreshing music of Ismail Darbar. The first half of the film just hits you between the eyes. *Dol baje, dum dum baje dol* and *Chand chupa anchal mein* are exquisite compositions, not just the way they've been shot by director Sanjay Leela Bhansali but also for their canvas and colours. Now Subhash Ghai has also attempted a musical – *Taal* – with *Ishq bina kya jeena yaaron, Ramta jogi*, and *Taal se taal mila* standing out for A.R. Rahman's music. Coming up is Ramgopal Varma's *Mast* with music by Sandeep Chowta. In fact, Ramgopal Varma created a brand new genre with *Rangeela*, which zoomed to the top of the charts with its fascinatingly modern fusion music. Rahman's music for *Roja, Bombay*, and even *Dil Se* set the tone of for the change in Hindi cinema. Rajshri's *Hum Sath Sath Hain* is also slated for a Diwali release. One can expect it to be another musical bonanza.

There's no escaping the importance of music in contemporary cinema. Television has proved to be the whetstone for Hindi film music as it enables the movies to generate extra cashflow streams. This is the locomotive for audio sales as it takes music into the living rooms of the hoi-polloi. This trend has meant that producers and directors are waking up to the need of more songs in their movies.

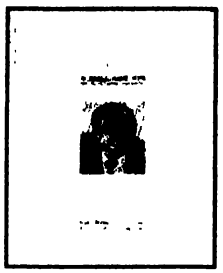
• SANDEEP BAMZAI

Nobel aspirations


COURTESY — OUTLOOK

Booker in the bag, Arundhati Roy seems to be aiming for the Nobel. This fortnight, she was leading the "Rally for the Valley" in Gujarat and Madhya Pradesh and then hurrying to catch the last leg of the Global Peace March, a protest against nuclear weapons. After her Booker prize-winning novel, "The God of Small Things", Roy has provided further evidence of her prowess by writing emotively, and not a little hysterically ("I secede," she wrote after the Pokhran blasts!), on the nuclear blasts and the Sardar Sarovar Project Both times her unlikely vehicle was a weekly news magazine. Clearly carried away by the response to her espousal of the two causes, Roy's ambition has soared and she is busy whipping up frenzy on important issues. Treated like a celebrity by crowds unlikely to have heard of "The God of Small Things", Madam Roy explained that "the people, seeing a famous writer fearlessly on their side, know their whisper of protest is being heard". Meanwhile, *amicus curiae* K.K. Venugopal wants the Supreme Court to warn 'the famous writer' because she is violating the apex court's order restraining her from commenting on the pending Sardar Sarovar case. Venugopal and the Supreme Court had better watch out: Roy's next rally might be against their effort to muffle freedom of expression! •

Fitting tribute



Last fortnight, a tribute was paid to two leading industrialists — Aditya Vikram Birla and Ghanshyam Binani. 'A Brilliant Sun,' is a biographical movie on Birla directed by Zafar Hai. In spite of adequate quality material


HARSH MAN RAI



UMESH OSWAMI

He asked you eight years ago if "you were you ready for the magic?" with the Pepsi commercial that starred Juhi Chawla and Remo Fernandes. Today Vidhu Vinod Chopra is trying to "add a little magic to your life" with his ICICI commercial. Chopra's canvas has always been large so don't be too surprised to spot an artistic touch in the commercial, along with a catchy tune composed by the trio — Shankar Mahadevan, Loy Mendonsa and Ehsaan Noorani — in crowd sequences with 2,500 ICICI bank employees, shot by four cameramen at Mumbai's busy, bustling Flora Fountain. "It's really been a collaborative effort between Contract's Ravi Deshpande and ICICI, just like all film making is." Although, Chopra is open to working on four to five ads a year, make no mistake, he's clearly a feature film maker first. Known best for his gritty film *Parinda*, Chopra is busy recording music for his next production, *Mission Kashmir* and gearing up for a June 2000 release. •

on Birla not being available in the form of photographs and video sources, Hai has tried to capture the relentless thrust of Birla's business interests across the globe. *A Brilliant Sun* is possibly one of the biggest documentaries produced in India with contributions from Shiv Kumar Sharma, Hari Prasad Chaurasia and Roshan Seth. On the other hand, the Binani Trust released the book 'Many Splendoured — Ghanshyam Binani' the story of the House of Binanis written by veteran journalist M.V. Kamath and 'Karmayogi ke Pathik' memoirs penned by Ghanshyam's wife Padma Binani. •





Distinguishing marks

Vijay K. Thadani, CEO and one of the founder members (employee No 2) of NIIT Ltd, was given Distinguished Alumnus of IIT Delhi status by the institute's governing board chairman, Vijay R. Kirloskar, on 14 August, 1999. The previous evening, Thadani was feted by his hostel, Jwalamukhi, which counts him among its more memorable former inmates, for reasons that aren't all academic. Thadani was a first class student of the class of 1972, together with Rajender S. Pawar, vice-chairman of NIIT, who also won the Distinguished Alumnus award, the very first year it was instituted. The two got together nearly 10 years after graduating to start NIIT, after working in industry. They have brought the company full circle now to their academic days, having moved the company's research and development activity in education to a special on-campus facility at IIT(D) called Synergy Labs. Other awardees include Rajat Gupta of McKinsey and Y.C. Deveshwar of ITC. •



Scoring an eagle

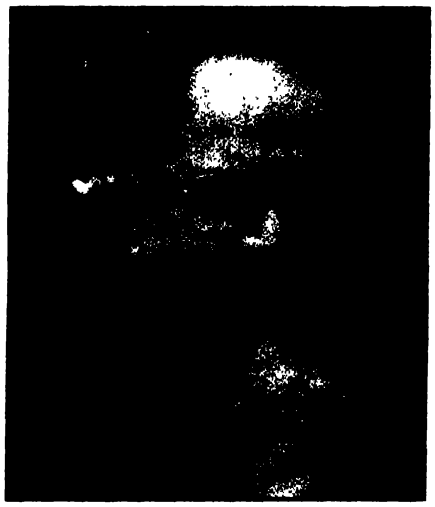
Tandon. Turnaround. Teeing off. After putting the Pune-based Alfa-Laval (India) Ltd back on even keel, the Rs132-crore company's managing director Satish Tandon, returned home to Delhi to organise a golf tournament. His old cricketing buddy, Kapil Dev, won the first Alfa Laval Ambassador's Cup in a field of 20-odd industrialists and the same number of foreign and Indian cricketers who participated. "The idea was to brand Alfa Laval outside Pune," Tandon explains. "I was very excited by the idea when Ajay Jadeja suggested it to me." The invitations to and confirmations by all the cricketers including the 10 from abroad — Craig Evans, Allan Border, Lance Klusener and Mark Boucher among them — were handled by Jadeja, while Tandon invited the CEOs of various client companies. To bring in a spirit of conviviality, Tandon, his wife and daughter also played. "This was a mega-event in the north," says Tandon, who moved out of Delhi for the first time in his 31-year-old career with the company when he was made MD in the beginning of 1998. "We will now have similar tournaments in the south and the east too," he says. •



"Influx into Mumbai must be curbed"

Cultural affairs, general administration and prohibition propaganda minister **Pramod Navalkar** has stirred many a hornets' nest in his singleminded resolve to purge Mumbai of what he perceives are its cultural aberrations. The veteran Shiv Sainik and close confidant of Sena supremo Bal Thackeray has pursued his own social agenda by fettering the city's nightlife through stringent time limits imposed on pubs, restaurants and entertainment events, as also on public places like the city's beaches. "Don't term it moral policing," he corrects **Sarosh Bana**. "This is moral discipline; we won't get anywhere if we fail to discipline our minds."

Q *Has your Sena-BJP government succeeded in fulfilling its claims of beautifying Mumbai that it made when it came to power in March 1995?*
A The problem with Mumbai is that just about everyone wants to be here, because the city spells lucre for the immigrant entrepreneur, professional and slumdweller alike — ill-gotten wealth runs through the city like an underground sewer. The hordes of fortune-seekers have overwhelmed the city and its civic services, rendering it difficult to implement the periodic development plans. We should now plan for only what we can sincerely implement. There is no doubt that the city is dying. We have lost the best city in the world.


UMESH GOSWAMI

Q *Do you see any solution to this malaise?*
A There is a pressing need to curtail the unabating influx into Mumbai. There is no area that is not encumbered or encroached upon, giving rise to alarming levels of pollution, traffic snarls, overcrowding and density, and affecting the quality of life. But let alone imposing legitimate curbs on such an influx, even the eviction of slum dwellers from public properties they have encroached upon raises cries of violations of fundamental rights. The law is weak and vested interests exploit this to the hilt. While the government has not exactly failed in discharging its responsibilities, it has not performed up to expectations either. A well-intentioned scheme for decongesting the city has remained for years in limbo with even the state secretariat and government offices showing an unwillingness to move out, contending "democratic privileges". Aggravating the situation at the municipal level is the nexus that prevails between the corporators and the slumlords. Unfortunately, the bottomline is that slums provide votes to us politicians.

Another solution is to totally freeze all construction in Mumbai, creating accommodation only for expanding families already resident in the city.

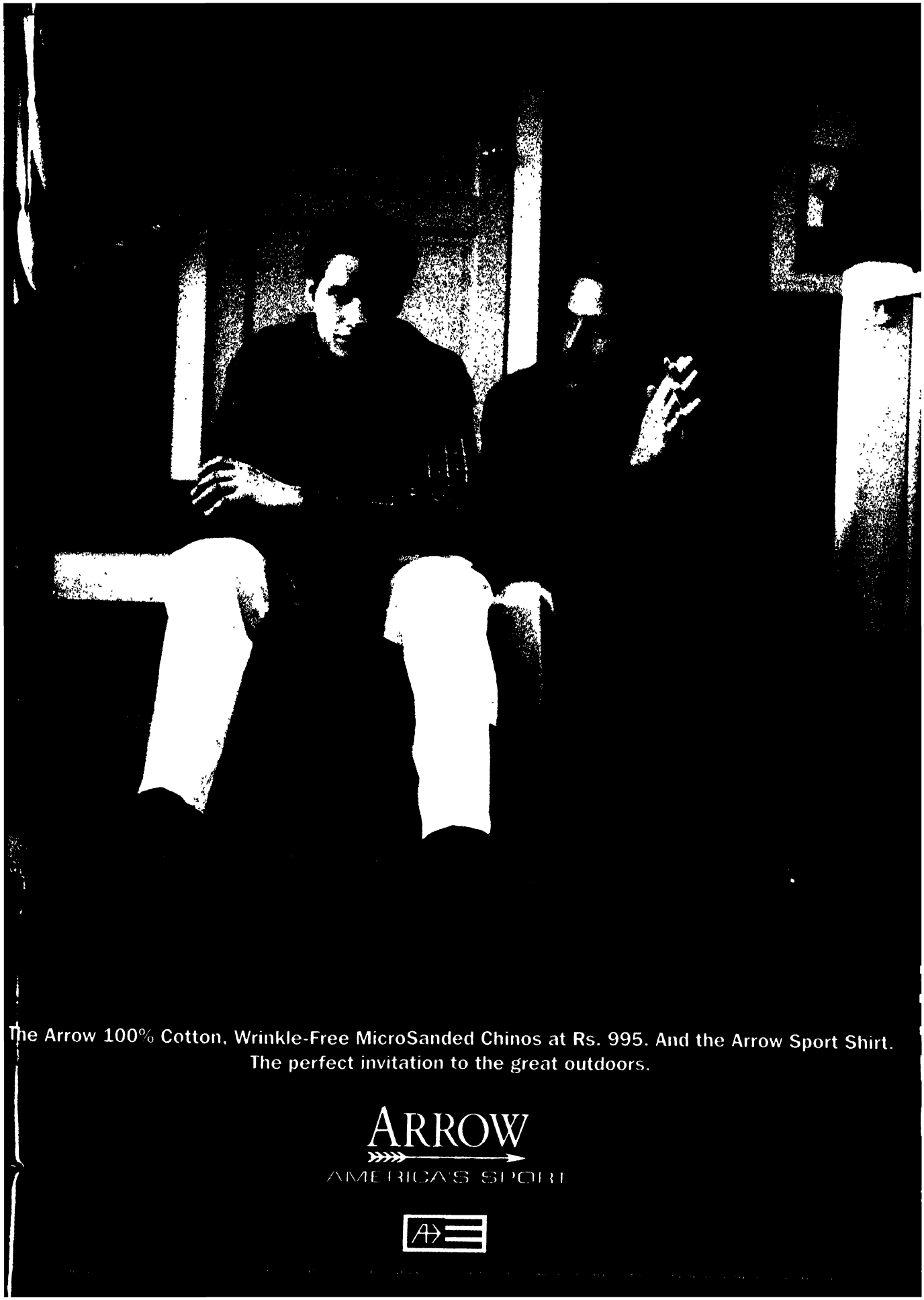
Q *Would the situation not improve if the government were to revoke the Urban Land Ceiling (Regulation) Act?*
A Repealing this enactment will not help as it would pit the common man against the moneyed builders and landlords. Our government instead sought to promote the concept of the transfer of development rights (TDRs) which is essentially cross-subsidising reconstruction, but the present recession in the construction industry has proved to be a dampener. Even the government's slum reconstruction scheme of Shivshahi Punarvasan Prakalp Ltd has been similarly affected.

Q *Instead of tackling such basic problems head-on, is not the government involving itself with non-essentials like moral policing?*
A I prefer to use the term 'moral discipline', because unless the mind is disciplined we cannot hope to beautify our environs and make them liveable. For instance, while people commend the Gulf countries for making their deserts bloom with public parks and gardens, they should realise that through concerted efforts, I have been able to clean up the beaches of Mumbai of their litter and encroachments and provide green spaces there for both children and senior citizens.

Q *Does Mumbai stand a chance of evolving into an international financial centre?*
A Being India's commercial capital and the focal point of financial and business activities, it is already a global financial centre. Because of this, our government's priority is not the further development of Mumbai, but of the hinterland that needs to be coupled with a planned development of Maharashtra's 720 km long coastline. This will in turn provide a boost to shipping, modernised ports and tourism.

Unfortunately, the current recessionary trend and political uncertainties at the Centre are deterring foreign investments. Only a stable government can reverse this trend. Many NRIs and other potential investors interested in doing business here are hesitant because the governments change every few months.

Q *How do you rate your government's chances in the forthcoming Lok Sabha and assembly elections?*
A Quite good.

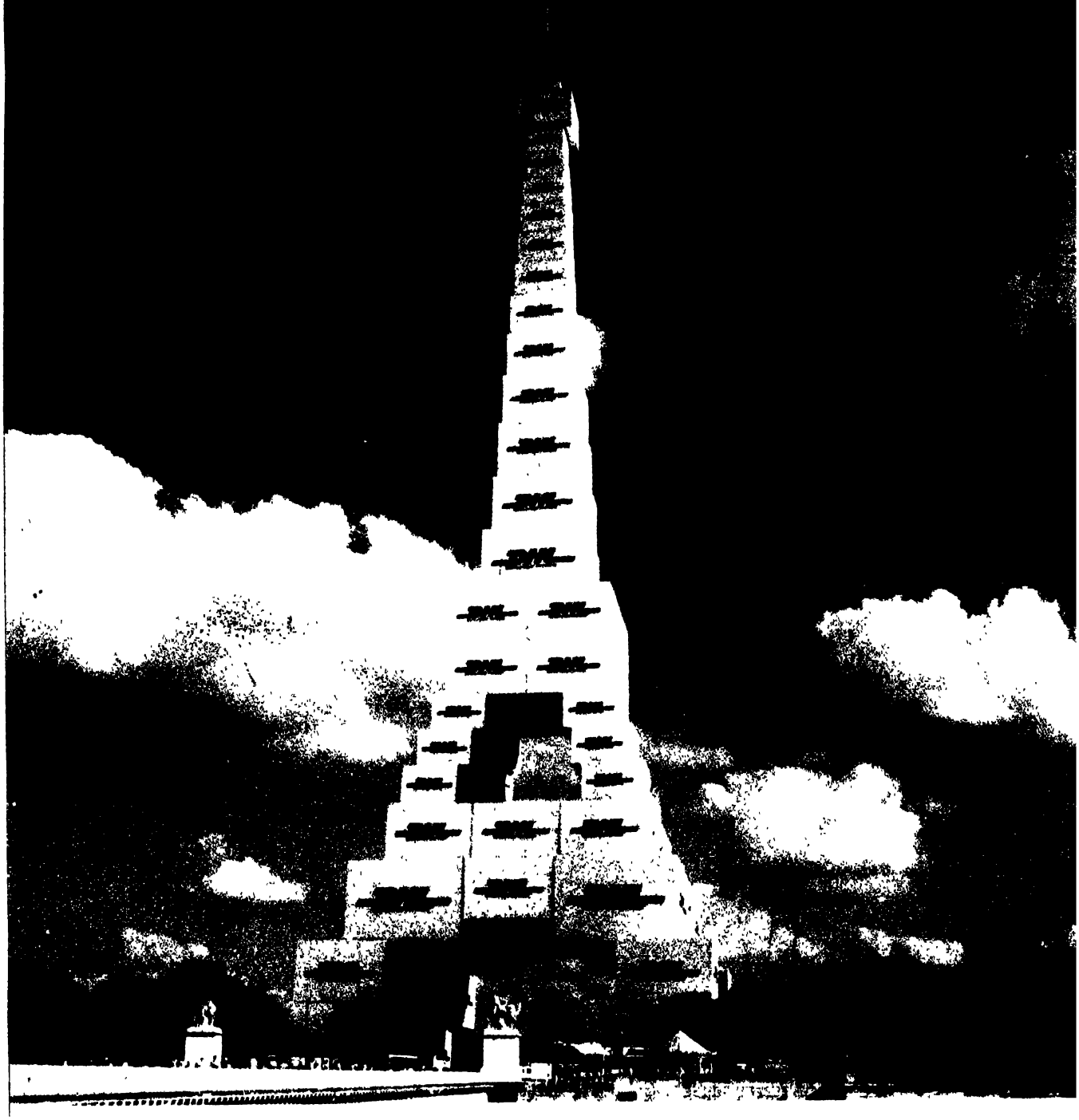


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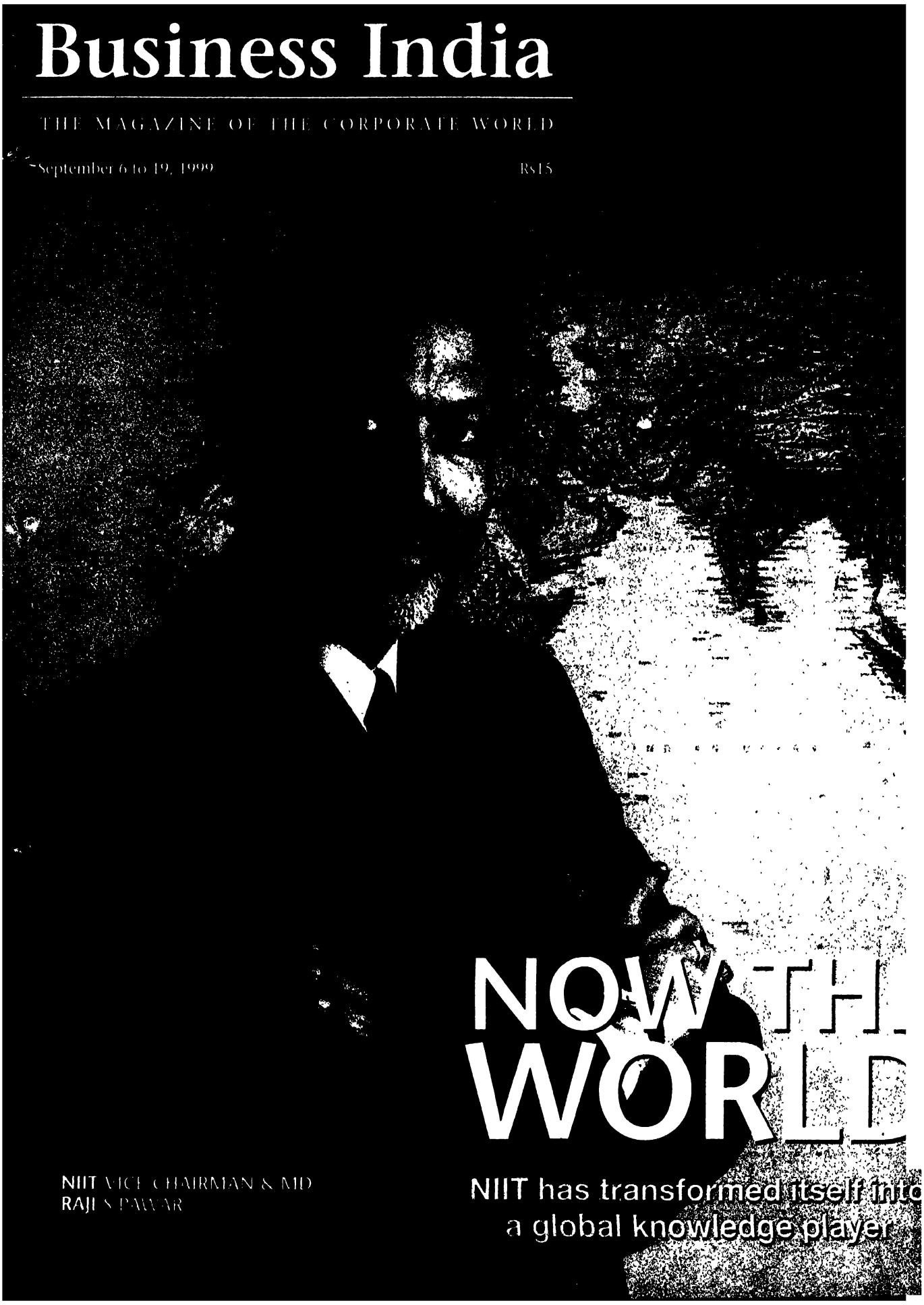
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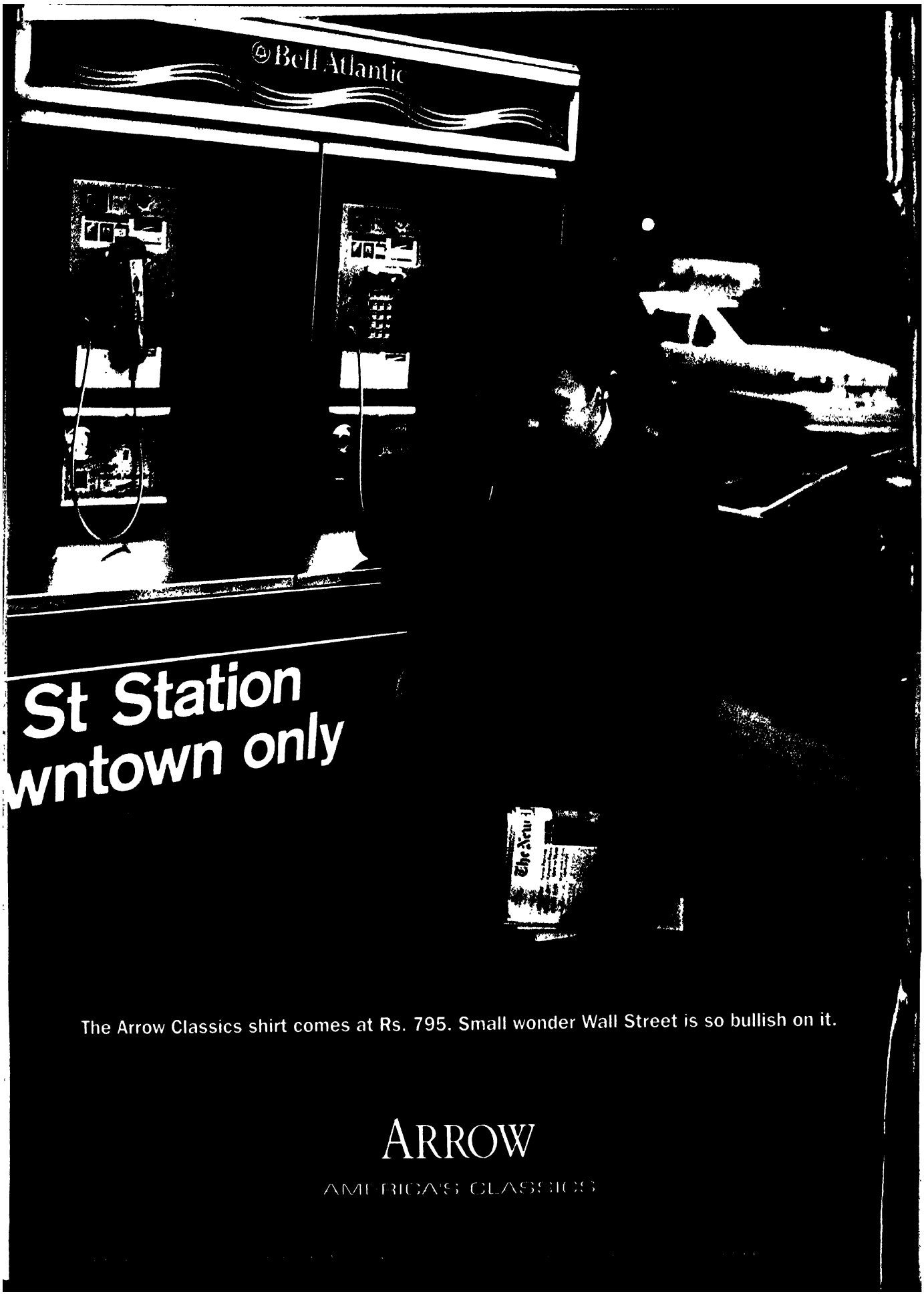
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Training outside the groves of academe has not enjoyed a particularly savoury reputation in India. The local equivalent of the crammers in the UK has been the coaching class — a system designed not to impart any modicum of knowledge but with the specific purpose of "cracking" a particular examination.

Even the relatively new area of computer training has had more than its fair share of fly-by-night operators. It is not unusual to read advertisements from organisations that offer to "familiarise" you with, say, Web designing in a two-day course. Numerous mom-and-pop outfits have sprung up to woo the gullible into parting with their money for what they believe is a passport to the latest El Dorado – a career in software. On a more organised level, there has been the recent scandal over Enterprise Resource Planning (ERP) courses which were run using pirated software and by people of doubtful credentials. Individuals paid lakhs for the "training" programme only to discover later that they were taken for a ride.

In this environment, it is evidently difficult for a company to not only make it big but also acquire a sterling reputation. NIIT is one of the few that has managed to do it.

This was achieved in the first place by focusing on developing credibility and quality. Achieving credibility is not as simple as it may seem, for it encompasses maintaining a presence and also ensuring that courses run to schedule, no easy matter in an industry fraught with attrition. The principle of success for NIIT has, however, been its emphasis on research and development, not just in software but the very basics of human understanding, the science of cognition.

Building from a sound foundation, NIIT has capitalised its position, vaulting upwards in both education and software. As its 18th birthday approaches, the company is readying to take another couple of leaps forward, launching itself into the world of branded software on the one hand, and of growth through acquisition on the other. Although the company is still largely held by entrepreneur Shiv Nadar and his close associates, this has not fazed founder and vice-chairman Rajendra (Raji) Pawar.

NIIT's success to date and the obvious faith in its future plans is reflected in the stockmarket rating of the company. The share is today priced at Rs2,055, rubbing shoulders with the other infotech high-fliers. These are the companies that have the potential to be the star performers even among the best in the world.

The other point to note about NIIT is that it has grown out of its geographical roots. Its senior staff are based all over the world and, in these networked days, it does not matter where they are. Its business too will be even more Internet-centric with the passage of time. In some sense, it is India's premier virtual company. It serves as an inspiration to the thousands of Indian entrepreneurs who are riding technology and the Internet to get out of the throttling clutches of a command economy and a Big Brother government.

in this issue

Accountancy	96
Advertising	104
Agriculture	112
Banking	92, 94
BI Index	16
Books	170
Businessmen in the News	24
Business Notes	32
Cities	111
Column	133, 137
Corporate Reports	73
Cover Feature	50
CyberNews	18
Dhir's Page	42
Distribution	110
Economy	46
Economic Indices	48
Editorials	9
Executive Focus	146
Executive Track	148
Feature	97
Focus	64
Follow-up	22
For Your Information	15
Government & Politics	38
Infotech	130,132
International Briefs	145
Internet Addresses	126
Interview	176
Letters to the Editor	4
Listening Post	12
Manufacturing	117
Marketing	102
Market News	135
Marketwatch	140
Mutual Fund Monitor	143
Newscast	28
People	174
Selections	167
Small-cap Picks	134
Special Report	58
Technology	120

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Corporate Reports

73
CLARIANT INDIA ▶
As the rest of industry wallows in woe, Clariant India is rising rapidly

78
GALLUP
The organisation founded by famed pollster George Gallup is making its presence felt in the Indian workplace

87
JINDALS



The Jindals have finally got Corex technology to work for them. But will it help them to steal a march over their peers?

80
BRINTONS LTD
Brintons Ltd has set up its first manufacturing facility in Asia at Pune

38
Government & Politics
Minor coalition partners, with their regional strongholds, will be more important than ever before in the national governments to come

46
Economy
The second tranche of Bank of England's gold auction on 21 September is likely to impact global gold prices, but the domestic market may remain largely unaffected

97
Feature
Real estate used to be a no-brainer; until the market crashed. Builders are now consolidating their businesses

102
Marketing



Fast food restaurants' appetite for greater marketshare has been growing for some time now



82
KINETIC



Honda's decision to set up a wholly-owned subsidiary is a reminder of its growing ambitions

75
TECUMSEH
The acquisition route to growth which the compressor manufacturer took two years back has paid off

110
Distribution
A US ice-cream manufacturer starts selling its high-quality, high-priced dairy desserts in India

111
Cities
When it comes to flyovers, Chennai takes the same road as Mumbai

112
Agriculture



Duncan Industries' Terai tea project is finally flowering

117
Manufacturing
Pune-based Kirloskar Brothers has used its expertise in pumps to seize the opportunity in manufacturing turbines

120
Technology
CorDECT has overcome initial hic-cups and is establishing itself as a highly competitive telecom technology

9
Editorials
- Low inflation carries latent danger of surging back in time for the new government
- The malaise that afflicts the exports sector is the contribution of many
- The revision of GDP estimates to reflect the growth of IT services should be welcomed

22
Follow-up
- Subhash Chandra is planning a slew of new initiatives
- Bilakhia group has shed part of its business in agrochemicals
- The Godrej Soaps has acquired the Ezee, Trilo and Key detergent brands
- Quadrant Communications is all set to end its first year with billings in excess of Rs55 crore

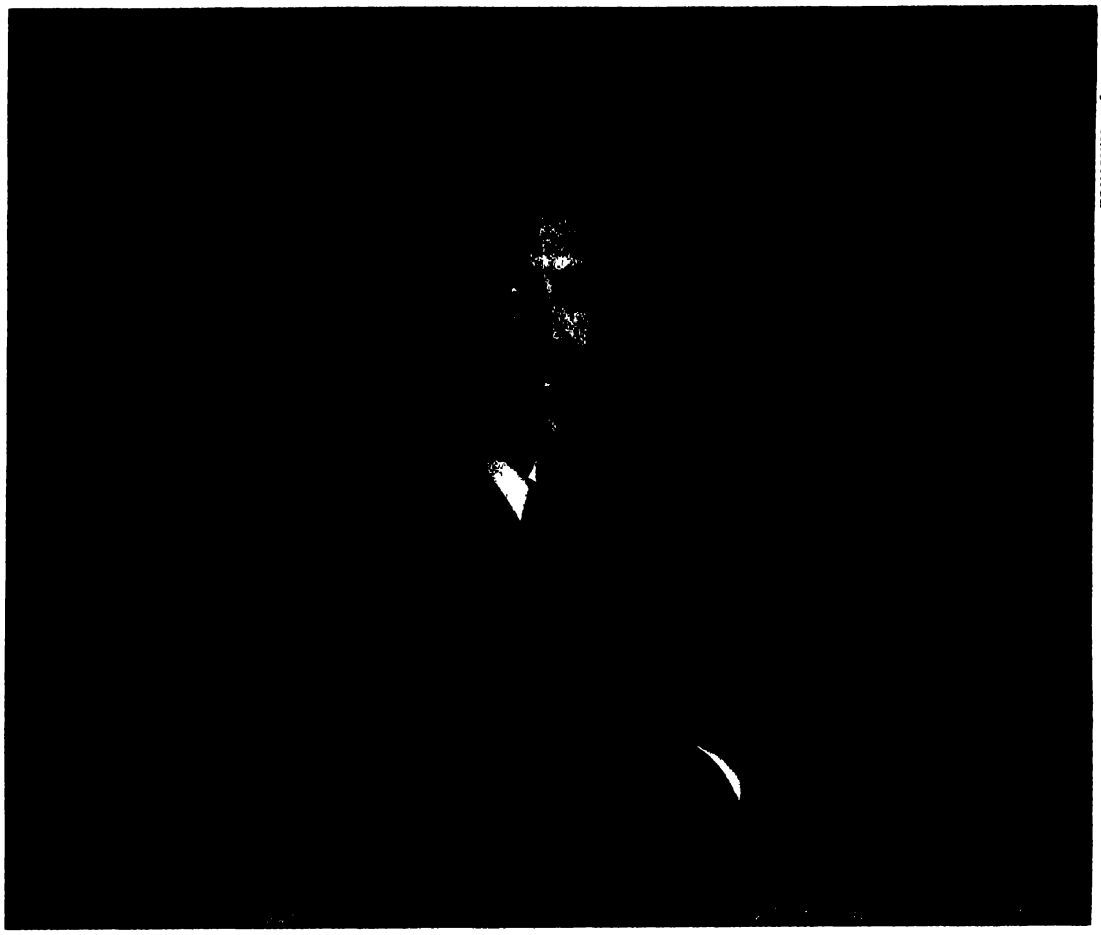
32
Business Notes
- The recent agreement between Petronet LNG and RasGas appears dicey
- An industry initiative has enabled engineering students from the UAE to get hands-on experience in Indian companies
- Two Indians in America, got a bright idea — one connected with IT naturally, but not to develop software
- Construction industry craning for help

176
Interview
CEC Manohar Singh Gill elaborates how during the last nine years the commission has become so effective

COVER FEATURE
50

Learning knowledge

What appeared to be merely a canny business opportunity at first glance has developed into an enterprise of breathtaking scope and dimension



PALASHRANJAN BHAUMICK



Cover photograph
PALASHRANJAN BHAUMICK

SPECIAL REPORT
58

Thorium is the word
Often criticised for being covered in a shroud of security and secrecy, Bhabha Atomic Research Centre has been the incubator of a number of strategically important technologies. Today the focus is on Thorium technology





FOCUS
64

Marketers now target Bharat
Whether rural India is really the far-flung villages or C-class towns and their surrounding areas remains a matter of conjecture



◆ Reality check

The days ahead will be tough for State Bank of India as liberalisation continues to change the face of the banking sector (Cover Feature, 9 August). SBI has had to accommodate government-sponsored loans which adversely affect its profits. That is why it cannot perform as well as the foreign/private banks. But it will have to get its organisation up to the standards of the well-established foreign banks in India if it hopes to compete.

AKHILESH KUMAR SAH
Faizabad

◆ The government generally appoints the seniormost banker from within SBI as its chairman. He would have put in a service of 30–35 years to reach this elevation. I am therefore surprised to note the comment of SBI's former chairman M.S. Verma that a chairman needs a minimum of one year to understand SBI.

SUMANA PRABHU
Belgaum

◆ Simple solutions

Your Special Report on Mumbai (9 August) makes reference to the mushrooming slums in cities and the resulting problems of hygiene and public health owing to the lack of public toilets and other facilities. My observation as a long-time resident of Mumbai and Chennai is that, regardless of the availability of public toilets, the tendency is to use the railway tracks and roadsides for defecation. This cannot be ended. Hence the proper cost-effective solution would be to use the stormwater drains along the tracks and roads as open toilets. The refuse generated during the mornings and evenings can be cleared by pumping seawater into the drains. This would be a practical approach.

In the same issue, Cities refers to the setting up of rail tracks under MUTP-II costing crores of rupees. Pending a decision a very cost-effective solution would be to study the traffic pattern in the Mumbai suburban railway system, particularly the Western Railway section. Since the flow of traffic is unidirectional it should be easy to regulate the flow by means of one-up-three-down movement of suburban trains in the mornings and one-down-three-up movement in the evenings. This would be a simple matter of changing the signalling system and certain change over points. This should be easier than going in for additional lines and other costly methods.

B.S. SHARMA
Chennai

◆ Kindly clarify

We are happy to note that a prestigious magazine like yours has shown interest in the growing popularity of tenpin bowling in India (Marketing, 9 August). But it is surprising to note that the article mentions AMF as the largest manufacturer and marketer of bowling equipment in the world. We would kindly bring to your notice that the information you have provided is totally untrue. Brunswick Bowling & Billiards Ltd, 154-years-old, with an annual turnover of $4 billion, is the largest manufacturer and seller of bowling equipment and allied products in the world.

We enclose Brunswick's corporate report for 1998, and request you to kindly judge yourself by asking AMF for any such report as proof of its claims. Our report categorically states that Brunswick is No. 1 in bowling. No American company can get away with publishing wrong statements in its annual report.

We are also quite upset to read in the article that Brunswick has 49 lanes in India. Please find enclosed the names and addresses of Brunswick Bowling Centres installed as of date in India which add up to 85 lanes. We would be interested to know how you got the figure you have quoted. Kindly clarify.

ROHIT MATHUR
Country Representative
Brunswick Bowling & Billiards (UK) Ltd
Mumbai

◆ Ex-servicemen get their due

Officers and gentlemen (Feature, 9 August) was informative and revealing. It's high time the nation realises the ability and suitability of ex-servicemen so that it can make good use of a readily available, dependable human resource.

Other very successful ex-servicemen could have been included – for example, Capt Nair of the Leela group; Col Wahi, ex-chairman of ONGC; Adm Krishnan, ex-chairman of Cochin Shipyard; Lt Gen A.C. Aiyappa, ex-chairman of BEL; and Lt Gen P.S. Bhagat, ex-chairman of Damodar Valley Corporation – apart from numerous others in the IAS and IPS cadres who have reached to top positions.

Ex-servicemen have also proved to be excellent governors and ambassadors. Remember, even the Government of Australia wanted Field Marshal K.M. Cariappa to be their governor-general.

LT COL K.M. MACHIAH
Bangalore

◆ Cheats we call leaders

Intense propaganda is being carried out by the BJP and its allies that if Sonia Gandhi, a foreign-born national, gets elected, the secrets of India wil be sneaked out and the secu rity of this nation will b thrown into jeopardy. The so called progressive Nationa Democratic Alliance also prop agates that Swadeshi is th only path to progress an economic prosperity.

It is now clear that when i comes to pronouncin national policies the BJP and it allies project one image an one idea, but in their persona lives they adopt a differen approach. Most of their MP and MLAs would not hesitat to send their children t schools and convents run b missionaries. They would als gladly send them to foreig universities, spending lakhs o rupees. They also want foreig technology, foreign cars foreign investments, an foreign technocrats to build petrochemical complexes, huge motor vehicle plants, large-scale power plants like Dabhol in Maharashtra, etc.

They contend that Sonia Gandhi is a spy who will leak out the secrets of this nation. However, she has lived in this country for the last 30 years and more than 20 years in prime ministers' houses during Indira and Rajiv Gandhi's time and nobody said a single word against her then. All that time nobody doubted her patriotism. Their shrill invective is only a manifestation of a greed for power.

T.K. TALAPALLIKAR
Mumbai

◆ Wrong comparison

With regard to Mutual Fund Monitor (23 August) we would like to clarify that Cantriple Plus, which appears in the Bottom 10 of the table, is an open-ended balanced scheme (converted to an open-ended scheme on 1 July 1999) and *not* a growth scheme, whereas the table lists the performances of growth schemes.

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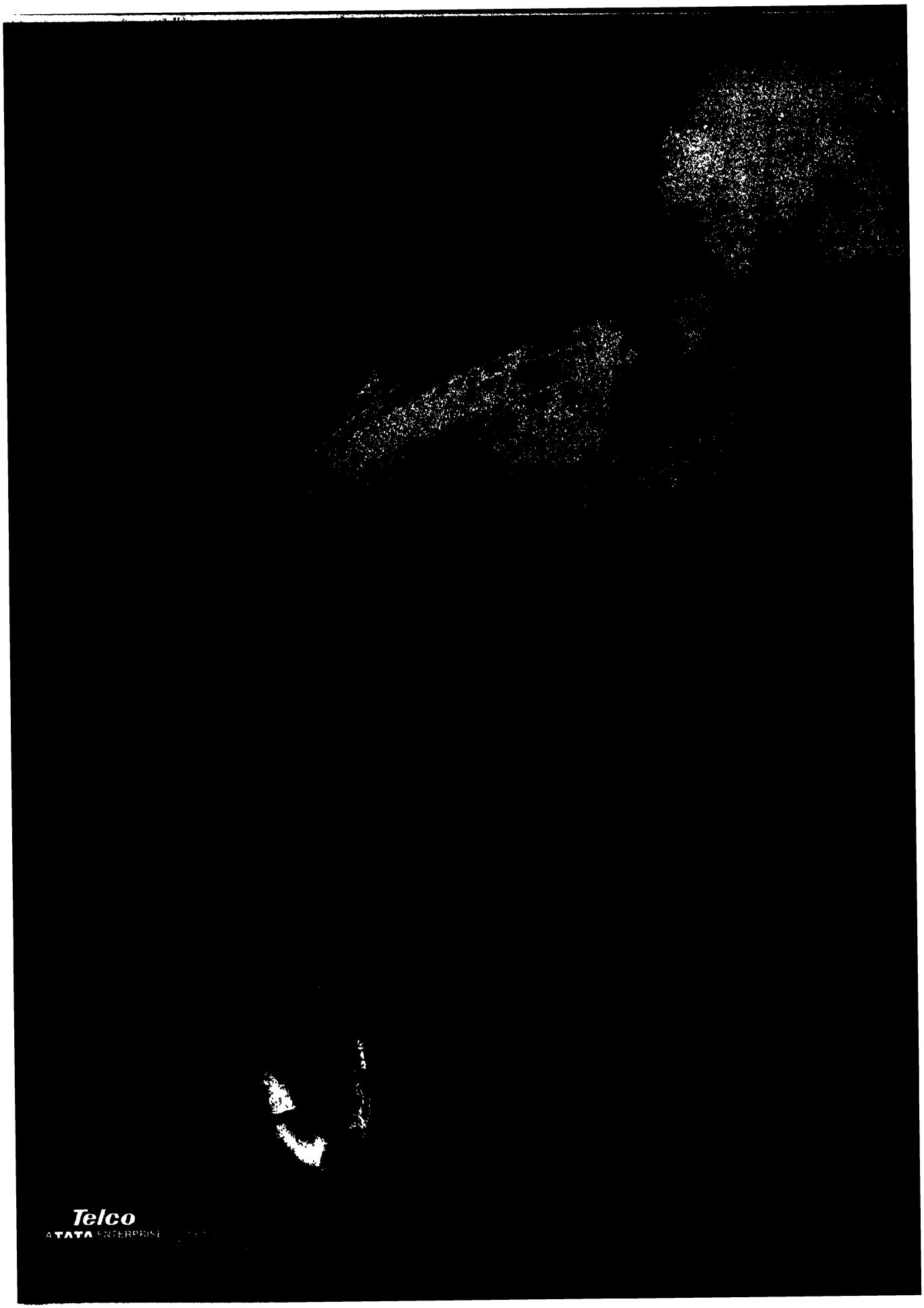
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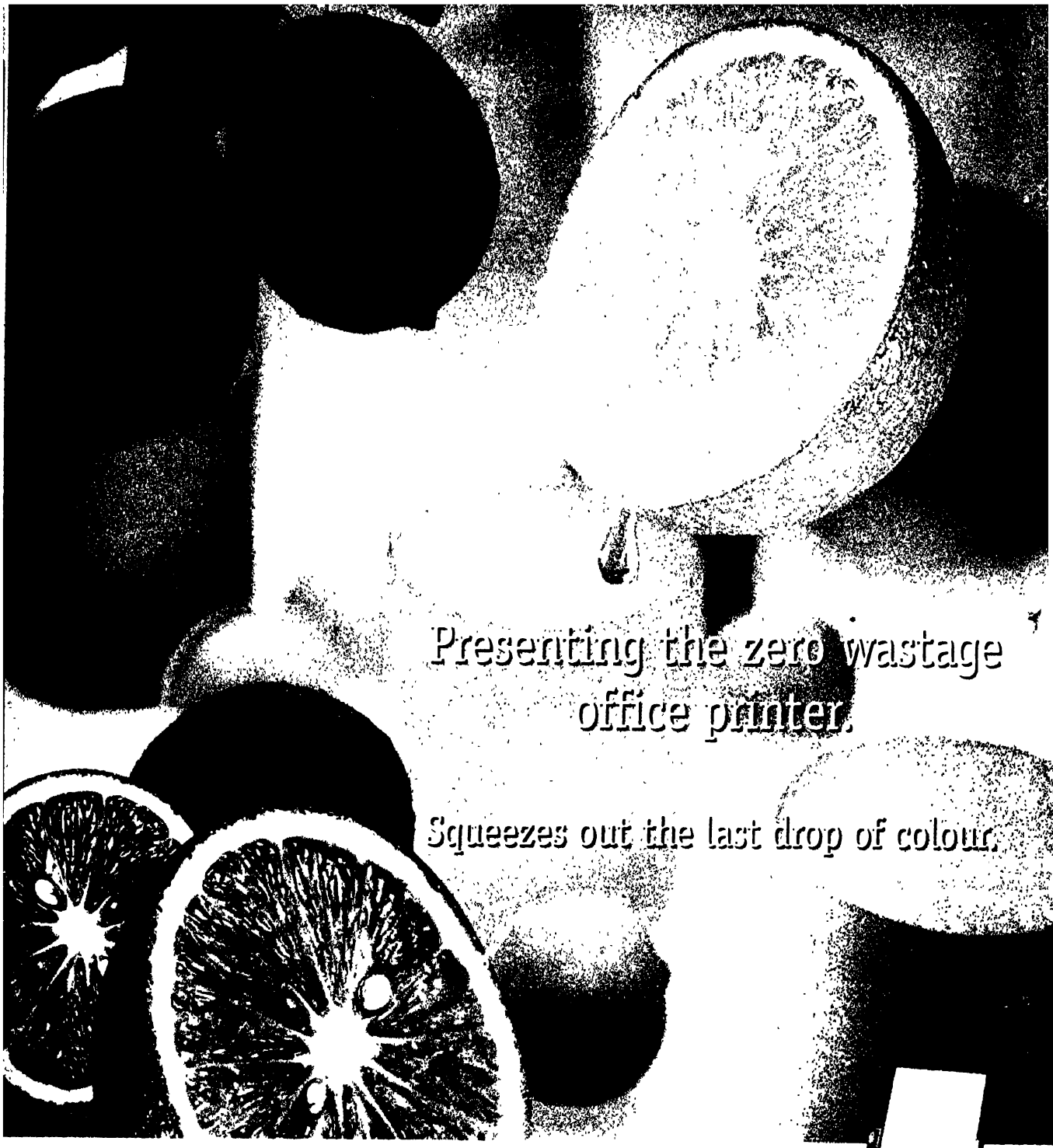
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The price spiral

The current low inflation carries latent danger of surging back in time for the new government

As the nation went into vote for the 13th general elections, the BJP-led coalition felt that it could make proud claims about its record in managing prices during the latter part of its period in government. Recent and current price trends may indeed encourage the BJP and its partners to wallow luxuriantly. However, such statistical flows tend to conceal whirlpools of danger. Any new government would be foolhardy to take inflation for granted.

Admittedly, contemporary figures make a strong impression of runaway prices being a thing of the past. The Wholesale Price Index-based inflation has been below 2 per cent for some months now. The latest available data, for the week ending August 14, shows the WPI inflation to be at 1.56 per cent. The Consumer Price Index-based inflation seems to be behaving similarly; and the latest data for July shows it to be 3.2 per cent. On a point-to-point basis, it measured 14.8 per cent at this time, last year. Nonetheless, this could still be the calm before the storm.

There are two reasons for wariness on the price front. First, food prices. Silently, but steadily, prices of key items among what Indians eat having been spiralling upwards. While this trend has been markedly continuous since March, the more recent figures give cause for alarm. The latest disaggregated data on consumer prices released by the government is for June. That month, prices of food grains increased by 16.4 per cent, in comparison to the previous year. The prices of rice and wheat showed a hike of 15.32 per cent and 15.03 per cent respectively, notwithstanding the record procurement by the government for its public distribution system. The prices of coarser grains, consumed by the poor, have climbed still more; 47 per cent for maize and 40 per cent for *bajra*. Prices of pulses, which constitutes the principal source of protein for millions of Indians, have climbed in the region of 14 per cent.

Paradoxically, these items carry only a small weightage in the overall basket of goods that are used to calculate inflation based on the WPI. All the food items taken together constitute only 7.92 per cent in the WPI, and this is the principal reason why the official inflation rate has still to acknowledge the creeping food inflation. Any further increases in food prices will have an cascading impact on the inflation rate. Which is why governments should look for deeper price currents instead of crowing about the low rate of inflation at any one point in time. Any incoming government could very easily be floored by food prices, just akin to the BJP-led coaltion's predicament over spiralling retail costs of potatoes and onions, last November.

The looming clouds

The second reason is even more compelling and represents a trend over which the Indian government may have no control. In the past few months, international oil prices have been rising. With an eye on elections, the BJP-led government has desisted from making commensurate adjustments in the domestic prices of petrol, diesel and other petroleum products. The steady prices of these products are a very significant factor in dampening the WPI based inflation that has been credited to the BJP-led government. That is a luxury that governments can enjoy only briefly and certainly the incoming government will not be able to follow this policy. Any attempt to yield to the tempatation of keeping domestic prices low will create controllable balance-of-payments problems as well as a runaway fiscal deficit (which is already yawning uncontollably). Remember that even the BJP-led government has taken a decision to maintain parity between domestic and international prices of petroleum products. The slippage, for electoral considerations, has been such that an estimate by the Union petroleum ministry gauges that a 30 per cent hike would be required in the price of diesel alone. Even a partial hike would set off transport costs, and other cascading impacts on goods and services, even as it exposes the new government to heightened expenditure on energy.

Finally, there is a more generic reason to believe that higher inflation is going to accompany any incoming government. The 1970s and 1980s saw election years marked by surges in populist spending by governments. The 1990s saw the reverse with governments committed to cutting expenditures. An economy that is poised at the threshold of growth requires that spurt of spending that only governments can provide. ♦



The crisis in exports

The malaise that afflicts the exports sector is the contribution of many besides the government

Even as the industrial economy of this country undergoes subtle but fundamental changes as witnessed in the dramatic rise of the new services industries, one area of the economy that seems to have got tied itself in a time warp is the export sector. The latest figures of export growth for July, a niggardly 2 per cent, after recording double digit growth in the previous two months, do not reflect the ups and downs of a business cycle but the malaise that has struck deep roots in the sector that was supposed to take India into the global market with a bang. The fluctuating fortunes evident from one month to another in other words suggest a structural problem in the export effort that continues to place reliance on the traditional items.

Consider the following dissonance; Indian IT companies are making waves in the global and national market with their high value addition estimated by the CSO to be in the range of Rs18,000 crore but none of these are reflected in India's exports. The items that do figure are the same ones that figured as star exporters in the 1980s, namely textiles, gems and jewellery, light engineering, marine products, hides and skins, leather and bulk drugs. All of these are low value addition items; some have relatively high import intensities and others face by their very nature non-tariff barriers, like environmental concerns in the case of leather. And most of all, all these items face competition from other developing countries with higher levels of technology. The most telling example is in the case of textiles and readymades; walk into any department store in America and you are going to find shirts made in Korea, Mexico, China and trousers with top brand names from Bangladesh.

The problems that beset India's exports are in the nature of an affliction that has to be excised. There have been five medium term export promotion policies in the past six years and the most distinguishing feature of all of them has been the lack of strategies for altering the export basket to take account of India's new core competencies and advantages.

But why blame policy or their authors at the commerce ministry for treading the beaten path? Policy is nothing more than an abstraction, a summation of the inputs and the received wisdom from those that are in the business of exports. It is surely the task of export promotion councils, of agencies and experts not to forget the producers themselves who should be providing the kind of data needed for the mandarins in the ministry to fashion policy.

There is no doubt that almost every economic policy is sustained on some kind of input or the other. The finance ministry draws on representations from industrial bodies to fashion tax proposals, the commerce minister draws on representations from trade associations. But the key issue here is the character of representations; most associations reflect partisan interests and that is not enough to hone a policy that plans on steering exports into uncharted seas. The commerce ministry needs to take into account the emerging competition and the shifts in the competitive advantage for a meaningful medium term perspective.

Look elsewhere

Only if this is addressed will India get a clear direction from policy makers. India is losing its competitive advantage in most of the traditional exports. For instance, the share of leather goods in total exports to the US has dipped from 3.76 per cent in 1992-93 to 1.37 per cent in 1998-99, the share of readymade garments (RMG) including accessories has remained at approximately 15 per cent , textiles excluding RMGS has fallen from 12.06 per cent to 10.44 per cent in the same period. On the other hand, software exports have increased their share from around 21 per cent in 1992-93 to 64 per cent in 1998-89.

Belatedly, software is getting some major policy reforms to boost its export capacity. But there is an urgent need to recognise IT services other than software that provide this country a unique chance to acquire a new competitive edge. Teleworking and remote processing are big business for the developing countries and entrepreneurs are grabbing a major share of the business. It is time for the country to recognise the great potential that the new businesses in the IT industry have not only to alter the character of the services industry but also to help India's forex reserve grow by leaps and bounds. According to experts India has a potential to grab the major chunk of the new business. Recognising that reality would help India's new exports thrust. •



Dawn of correction

The revision of GDP estimates to reflect the growth of IT services should be welcomed

Not before time, the government has woken up to confront the fact that data on India's national income have not kept pace with the changing composition of Indian industry. Everyone in the know of things has a good word to say about IT stocks on India's bourses. Indian IT companies have turned in impressive performances in terms of all the profitability ratios, drawing the attention of international analysts too. Yet national income data have not been able to capture this shift so as to reflect the growing contribution of the new services to the country's gross domestic product.

According to a daily report, the Central Statistical Organisation is in the process of filling in the gaps. Current estimates show the industry to contribute only Rs500 crore to the GDP, a figure the CSO intends to revise upwards to Rs18,000 crore. The impact on the GDP will work out to something in the range of a 1 per cent increase. This should be a significant contribution considering that the GDP estimates had been revised earlier taking into account the inclusion of the services sector, especially the small businesses in the GDP.

The attempts of the CSO to include the value-addition of the IT industry will lead to an increase in the GDP and significantly alter the perceptions of the international community about the dynamism of the country's economy. That is how the world has recognised the changes in the East Asian economies and the miracle that transformed one-crop or one-commodity-exporting economies into modern industrialised nations. The strength of the American economy has been measured by the increasing importance of services over traditional manufacturing.

Comparisons are likely to be drawn between the experiences of the American economy and the Indian; admittedly the services sector has not reached the dimensions of the American one nor overshadowed manufacturing to the degree it has in the US. There are two points, however, that need emphasis. One, the services sector in the American economy overshadowed manufacturing because companies found it more profitable, that is, less expensive, to shift production bases to the developing countries. That has not happened in India and that leads to the second point of difference. In the case of the Indian manufacturing companies, they may not have the luxury of relocating to lower-cost centres, not because the promoters may not have thought about such a move but because our laws would not permit closures and relocation outside Indian borders. No-one needs to be reminded that IT companies enjoy just about every advantage in terms of cost over traditional manufacturing firms and, in India's case, it is just possible that the growth of one industry may turn out to be at the cost of the older one.

The growth factor

The future growth of the IT and, in general, the services industry will depend on the availability of capital from domestic sources, especially seed capital. To be sure, venture capitalists are the best bet so far, but as the range of IT services expands, banks and financial institutions will also need to look at the nature of their lending. In the Indian financial system, services have been traditionally identified with industries like hotels, hospitals and the like, all of which share with manufacturing the fact that they have physical assets to offer as collateral. Unlike the IT industries.

This is where the work of the CSO acquires importance. A computation of the value-addition of the IT industries would offer the financial system a basis on which to extend lending to firms that have few physical assets to offer against loans. A recognition that the section of the services industry that can create a great deal of value without having large assets would give the financial system the confidence to venture into areas they have considered risk-loaded.

Finally, isn't the CSO still behind the times? Even as it looks at the IT sector, will it not be computing the value-addition of 'traditional' IT activities? Today there is increasing evidence that India is becoming a favourite with international firms looking for low-cost centres for activities like teleworking, remote processing, and data storage and retrieval systems. Trips to cities like Bangalore, Hyderabad, and Chandigarh could enlighten CSO officials considerably as to the need for including these activities in their new estimates of the GDP. ♦

Express news

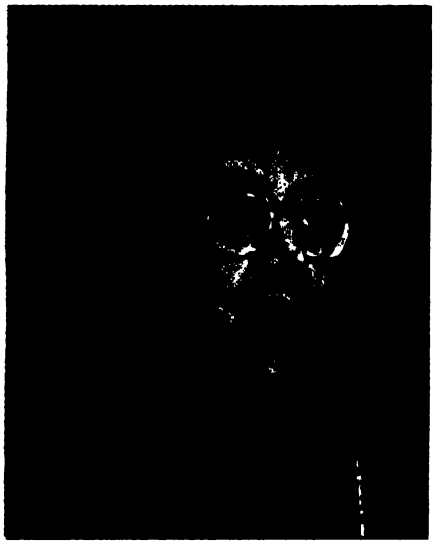
Indian Express-north chairman Vivek Goenka's new management team has got a Rs80-crore long-term loan sanctioned by ICICI. Of this, practically half is for rescheduling of existing loans, while the balance is for expansion plans. This could include the purchase of a financial daily.

The other buzz is that the Indian Express group has sold the Vadodra, Ahmedabad and Rajkot editions of *Loksatta-Jansatta* to B. Vadodriya of the Sambhav group, known for the Gujarati publication *Abhiyan*. Indian Express, which is trying to reinvent itself, has struck the deal for Rs7 crore. The entire deal has been financed by Nikhil Gandhi of Pipavav port. Vadodriya's sons — Kiran and Manoj — are expected to be running the new operation. As part of the deal, *Abhiyan* will be printing the Ahmedabad edition of *Indian Express* as well. This may well be a fallout of the Andersen Consulting restructuring programme.

Cricket Board's bonanza

With A.C. Muthiah, vice-chairman of the Southern Petrochemicals Industries Corp, all set to take over as president of the Board of Control for Cricket in India (replacing Raj Singh Dungarpur who will be completing his term later this month), the Board will also be passing its accounts at the annual general meeting. *Business India* learns that board's surplus is down from Rs11.5 crore in 1998 to Rs8.5 crore this year.

But with the mega deal having been cracked for the telecast and multimedia rights with Prasar Bharati Corporation at Rs40 crore per annum for a period of five years, the Board's coffers (unarguably the richest sports body in the land) should show a handsome increase next year. Board treasurer Kishore Rungta reckons that last year saw substantial subsidies being given to staging associations (since not many internationals were played), but this year the trend will be reversed as five Test matches — three against New Zealand and two against South Africa — as also 10 one-day internationals will play a big part in boosting revenues. For every Test match, the Board gets guarantee money in the vicinity of Rs20-25 lakh while for each one dayer, it is around Rs15-20 lakh. Further, it is expected that Muthiah will bring in some sort of corporate ethos after the Board has seen a spate of politicos — S.K. Wankhede, N.K.P. Salve, Madhavrao Scindia, bureaucrat Inderjit Singh Bindra and ex-cricketer turned administrator Raj Singh — at the helm in the recent past.



S. NAYAR

Muthiah is expected to professionalise the cricket board

Times Bank tie-up?

The news has been doing the rounds for quite some time: Times Bank is scouting around for a strategic partner. Today, the grapevine has it that it could be Chase Manhattan Bank. It is widely known in banking circles that the Jains want a strategic alliance for the bank which will eventually crystallise into a sale. (The Jains cannot sell the bank as per Reserve Bank of India guidelines, which don't allow the the initial promoter to sell his entire stake till they complete five years which in Times Bank's case is October 2000). Last year the Jains had made overtures to Housing Development Finance Corp (HDFC), but the impediment was the price being quoted — a whopping Rs170 crore. HDFC found that too steep. However, with Chase having entered into a strategic alliance with HDFC Bank, the deal appears to have come full circle. Any deal with Chase will now automatically have to involve HDFC.

Big bucks property deal

Just when Mumbai's realty market had once again switched to somnolent mode, comes news that one of the largest property transactions in the megalopolis has been sealed. French Bank Credit Agricole Indosuez has purchased an entire floor in Mafatlal Centre in the business district of Nariman Point. Cushman & Wakefield acting on behalf of Credit Agricole has transacted the deal for over Rs26 crore. Mitsui & Co, ICICI and Chase Manhattan Bank are some of the tenants in Mafatlal Centre and with Cushman & Wakefield having the mandate for the building, several more mega deals are on the anvil.

P&G's new strategy

Procter & Gamble (P&G) has ushered in its new strategic imperative for India: Look at yields, rather than get into the distribution battle zone. Top-of-the-line brands — Pantene, Head & Shoulders (shampoos), Ariel detergent, Whisper, Camay and Vicks — will be advertised heavily to increase market penetration. The first round of TVCs (television commercials) are already on air. The distribution of the smaller brands (totalling nearly 10 per cent of the turnover) has already been shifted to Marico.

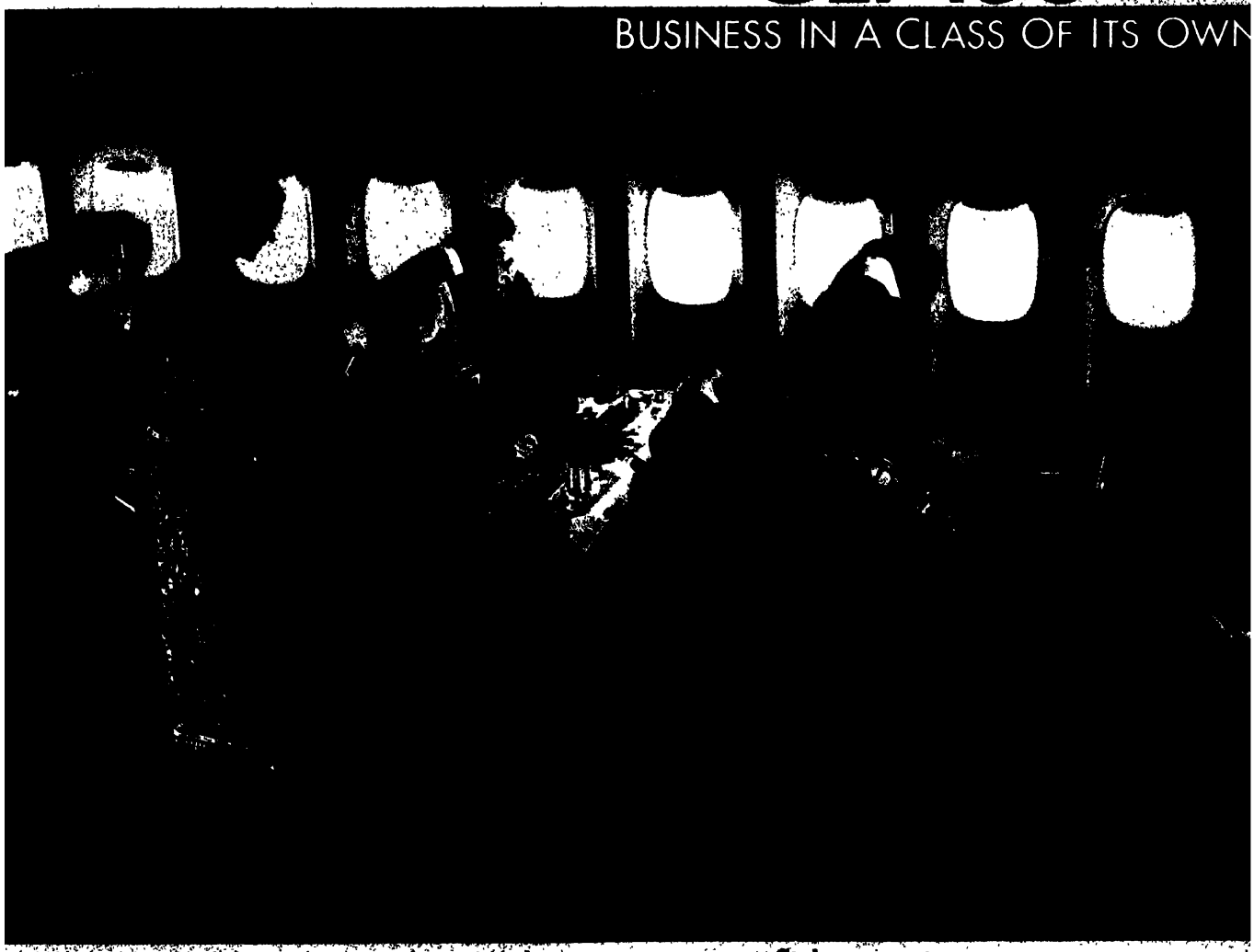
Paras' acquisition plan stymied

Paras, manufacturers of the popular Moov and D'Cold, is yet another company that has been left out in the cold by the financial institutions (FIs). The company was looking at establishing or acquiring flanking products for its best-selling brands. But when it went looking for structured finance, a prominent FI shot the proposal down. The search for the elusive financier continues.

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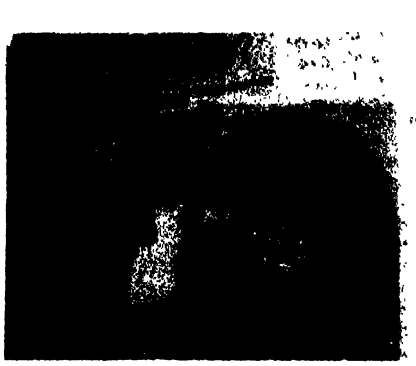
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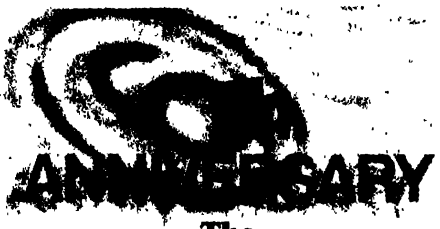
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Ice-cream flavours...Supermarket hi-jinks...Sonia Gandhi online

Students and staff at the University of Missouri have been guzzling a lot of ice-cream these days. All in a good cause however; they have been



participating in a study to discover whether low-fat ice-creams are significantly inferior in taste as compared to regular ice-creams. Low-fat products are enjoying a big boom in the developed world thanks to increasing health consciousness.

The study, conducted by the university's department of food science, has discovered that there are no significant differences when it comes to chocolate ice-cream. This is possibly because the flavour of chocolate is a mixture of many chemicals, unlike vanilla where a single compound carries the flavour. The reduction of fat in vanilla ice-creams results in a smoother and harsher taste. In strawberry too, as a study at the University of Helsinki in Finland discovered, fat-free ice-cream is far inferior in taste to the regular version. Vanilla is the most popular ice-cream flavour in the world with chocolate coming in second. But, with the fat-free variety increasing in popularity, the tables may soon be turned.

What new at Tesco, dubbed Britain's most eccentric supermarket chain? According to MSNBC, some of the recent highlights are:

- Considered allowing its Hastings store to run a nude-shopping night after the normal closing hour (but eventually declined because of the potential for mishandling of fresh fruits and vegetables).
- Told farmers to grow smaller melons after focus groups reported that large melons made small-busted female customers feel inferior.
- Tested its pies ballistically after receiving a surge of requests for recommendations on which of its pies is best for throwing (answer: egg custard).
- Began a programme to sew instructions on self-testing for testicular cancer into men's underwear.

With the rash of retail outlets coming up in India, can we expect such innovation here too?

If you are one of those who worry about having a male child to continue the family name, the chances are that you may end up with a girl instead. According to researchers from Denmark, if there is a great deal of psychological stress around the time of conception, the odds favour a female child. Researchers at the Danish Epidemiology Science Centre and colleagues from the Centre for Research in Health and Social Statistics report in the *British Medical Journal* that the proportion of boys was 49 per cent as opposed to 51.2 per cent in their control group. The sample size was 3,072 babies who had been conceived amid traumatic events.

The conclusion is that psychological stress related to severe life events may alter the sex ratio of offspring through changes in sexual activity, changes in hormones around the time of conception,



reduced semen quality or an increased rate in miscarriage of male babies. Earlier other researchers, without too much of empirical evidence, had concluded that there is a similar increase in the percentage of female births during times of war. This has been linked to the genetic disposition to increase fertility rates in situations that can be considered to be threatening to the established order.

International pharmaceutical companies often project themselves as the saviours of the disease-ridden Third World. But, if truth be told, commercial interests often come first. This is not only evident in the sort of research they conduct, but it is also true of their interactions with medical practitioners in developing countries.

According to a study by Assad Hafeez from the Khan Research Laboratories Hospital in Islamabad and Zafar Mirza from The Network for Rational Use of Medication in Pakistan, many doctors in the developing world do not receive adequate or appropriate responses when they request product information from drug companies. They claim that the decision to respond to a request for more information seems to depend on how favourable it might be to the interests of the company.

The authors assess how seriously pharmaceutical companies take their responsibility to provide information on request, by recording the promptness, nature and adequacy of their replies to doctors. They found that of 152 requests to 45 companies (made by 24 doctors in the different cities of Pakistan), only just over a quarter (26 per cent) received a response. Of these 39 responses only six met the World Health Organisation criteria for optimal drug information. The duo also found that the specialists who made requests received twice as many responses as general practitioners. Their conclusion: "Specialists are seen as opinion formers and more important to the companies than general practitioners."

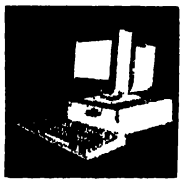
The media is full of the Internet-savvy leader of the Congress(I) Sonia Gandhi and her website on which she undertakes to answer all questions put to her by e-mail. Surfers who have been to the site — www.soniagandhionline.com — have come away a shade confused. True, you can ask a question and get an answer e-mailed to you later (obviously not from



Sonia Gandhi but her thinktank). But the other features of the site are apparently only decorative. A link to 'Speeches' takes you nowhere. That can be explained: with all her speeches ghost written, it is easy for them to have got disembodied on the World Wide Web. But what can be said of the similarly non-existent 'Opinion'? Or does it, as the BJP would opine, have a simple explanation? There is no opinion.

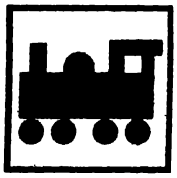
BUSINESS INDIA INDEX

India's outstanding external debt as of December 31, 1998, in billion dollars: **96**
India's total foreign currency assets as of June 1999, in billion dollars: **27**
Estimated percentage of India's foreign currency assets that are volatile or 'hot money' and have the potential of evaporating in case of a crisis: **92**



Number out of 430 Indian information technology companies that are based in Mumbai: **115**
Number out of 430 Indian information technology companies that are based in Bangalore, Chennai and Hyderabad: **87, 51 & 37**

Number of companies in India who registered a turnover of Rs1,000 crore and more in the fiscal ended March 31, 1999: **97**
Number of companies in India who registered a turnover of Rs1,000 crore and more eight years ago, in 1991: **39**



Number of people killed in 381 train accidents in 1996-97 as per the figures released by the Indian Railways authorities: **363**
Number of people killed in train accidents in 1996 as per the figures published by the National Crime Records Bureau, Ministry of Home Affairs: **14,975**

Number out of every two youngsters in India in the age group 15-24 years who say that one should have sex only after marriage: **1**
Number out of every three youngsters in India in the age group 15-24 years who say that there is nothing wrong about premarital sex: **1**

Chances that Indian girls in the age group 15-19 become mothers: **118 in 1,000**



Chances that Chinese girls in the age group 15-19 become mothers: **15 in 1,000**
Percentage of births in India that are attended by skilled health personnel: **35**

Proportion of Indians who say they are deeply religious, having prayed 'yesterday': **2/3rd**



Number out of every 10 Americans who regularly attend a church, synagogue or a mosque: **4**
Number out of every 10 Britons who are religiously observant: **1**



Average duration during which men and women are biologically and mentally predisposed to be "in love" with each other, in months: **18-30**
Chances that men fall in love more quickly and easily than women: **7 in 10**
Chances that relationships are terminated more by women than men: **7 in 10**

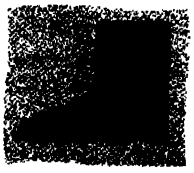
Number out of world's top 60 brands that are of Asian products: **3**
Number out of these three Asian brands that are Japanese: **3**



Rank of Mauritius among all low- and middle-income countries worldwide in terms of fax machines per 1,000 persons: **1**
Fax machines per 1,000 people in Mauritius in 1998: **22**
Fax machines per 1,000 people in Belgium, Italy and Spain in 1998: **18**

Proportion of Japanese households who have a fax machine at their home, in per cent: **65**

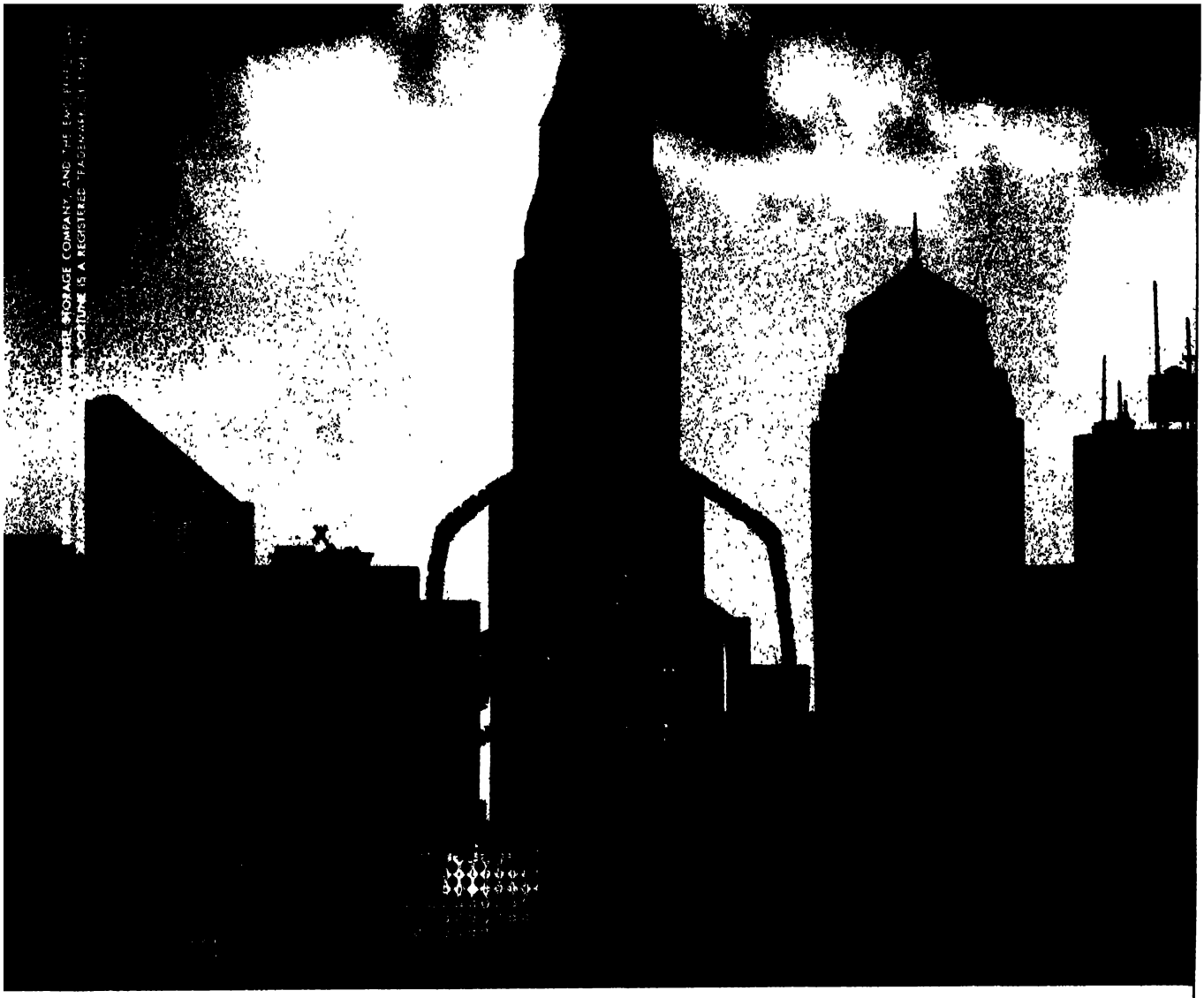
Number of pairs of shoes owned by Imelda Marcos, widow of late Philippine dictator Ferdinand Marcos, before her collection was seized in 1990 popular uprising in Philippines against Marcos: **3,000**
Number of pairs of shoes owned by Imelda Marcos currently: **3,000**



Chances that American couples aged 75 and above have sex at least once a week: **1 in 4**
Chances that American couples in the age group 60-74 years have sex at least once a week: **1 in 3**

◆ Compiled by. ANOOP BABANI

SOURCES: 1,2&3 Status Report on India's External Debt, Ministry of Finance, New Delhi **4&5** Study by Jones Land LaSalle, international property advisors **6&7** *The Economic Times*, Mumbai **8&9** *Time magazine*, New York **10&11** Youthtrack, a survey by *ORG-Marg* **12,13&14** World Development Indicators, World Bank, Washington **15** India Portrait, *ORG-Marg* **16&17** *The Economist*, London **18,19&20** Two-year study of 5,000 men and women across 37 cultures by Prof Cindy Hazan, Cornell University, New York **21&22** Survey by Interbrands, an international brand consultants firm **23,24&25** Human Development Report 1999, United Nations Development Programme **26** Survey of executives across Asia Pacific by *Far Eastern Economic Review*, Hong Kong **27&28** DPA news report, Manila **29&30** Study by *Modern Maturity* magazine, Washington



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Net Care

Credit Analysis & Research Ltd (CARE) has recently set up shop on the Web christened **www.careratings.com** Promoted by IDBI jointly with investment institutions, banks and finance companies, CARE commenced operations in October 1993 and offers services like credit rating of debt instruments, credit assessment of companies, infrastructure financing, securitisation transactions, structuring financial instruments, financing of infrastructure projects, mergers and acquisitions and financial restructuring. So far, the company's website informs us, CARE has completed 1,291 rating assignments which cover 1,140 instruments and involve a total debt volume of Rs1,35,500 crore. Apart from explaining various services provided, the CARE website details the methodology of rating as well as explanations of symbols that it accords to ratings, i.e. AAA (L), AA (L) and so forth. CARE also publishes two monographs, 'Rating Reckoner', an update on accepted CARE ratings, and 'CAREVIEW', a quarterly bulletin providing information on CARE ratings.

Political fundas

Launched on 1 May, 1999 **www.indiamap.com/elections** offers an interactive ringside account and analysis of the forthcoming general elections. Some of the features include analysis, manifestoes of different political parties, symbols and a brief description of each party, space for placing your views, etc. The site also has a Web directory, a compilation of websites that offer information and updates on the Elections '99. These include sites of political parties, candidates and other independent government and non-government organisations. The site also carries detailed profiles of Lok Sabha constituencies, parties contesting the elections and the candidates who are being nominated by their parties for various constituencies. According to a company release, the site is updated every hour and soon the company plans to organise chats wherein the party spokespersons will participate and air their views. All in all, a useful site for background information on the forthcoming mammoth electoral exercise.

Rich in information

ICCS Info Com Ltd, part of the Delhi-based software consulting group, has set up an tourist information site on India called **www.infoindia.net**. Rich in content and creatively packaged, the site caters to the diverse information needs of tourists. For instance, it has regularly-updated sections on airlines, railways, hotels, locations and weather. A visitor to the site can find out details of a particular flight or train after submitting the required information. Similarly, the site offers choice of hotels to a user depending upon his or her budget, location, room requirements and so on. Recently, the company tied up with 30 large and medium hotels including Hyatt Regency and Vasant Continental in New Delhi and several other hotels in Mahabaleshwar, Mussoorie, Agra, etc, to provide online reservation facilities. The site also carries information on varied aspects like Indian ceremonies, dance, music, handicrafts, wildlife, food, fairs and festivals, etc. Interestingly, the site also carries regularly-updated, travel-related news.



Subhash Ghai Netted



Log on to Bollywood biggie Subhash Ghai's website **www.subhashghai.com** and you will come across pearls of wisdom like this one: "In the field of Movie Making, we do not change with the times but instead make certain that we change the times we live in." The website gives details of Ghai's life as an actor and director — the filmmaker has directed 13 movies in 22 years and chalked up 11 out of 13 as silver and golden jubilee hits — and the comments of others in the film industry about him. What is of importance to film buffs and historians is the filmography. The site carries a brief description of all the films directed by Subhash Ghai. The other interesting feature is a glimpse of Mukta Arts, the company owned by Ghai. The company has a post-production studio and shooting floor, and an equipment division consisting of sophisticated editing and recording facility.

WebWatch

Indian E-com to top $150m

E-commerce is set to boom India in the coming three years, if Department of Electronics is to be believed. Speaking recently at a Nasscom-organised seminar, Ravindra Gupta, secretary, DoE, pointed out that e-commerce in India will account for $150 million over next 2-3 years. The seminar had been organised to suggest initiatives to establish a conducive environment for e-commerce in India. Nasscom had a 20-point agenda in this regard. Apart from speedy drafting and implementation of cyber laws, it was suggested that government should not levy any tax on e-commerce transactions for at least three years. Other suggestions included allowing private gateways to ISPs and allowing free use of 56-bit encryption technology.

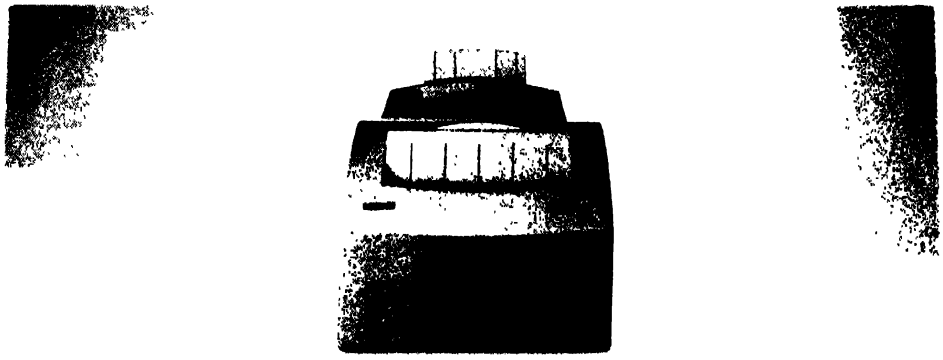
Net travails

Amidst booming US Internet-related stocks and exponential increases in the number of surfers worldwide comes the news that this may not be all that good for humankind. According to a study presented at the annual meeting of American Psychological Association in Boston, compulsive Internet use is becoming a real psychological disorder. "Marriages are being disrupted, kids are getting into trouble, people are committing illegal acts and are spending too much money," David Greenfield, therapist and researcher who did the study was quoted as saying. According to the largest-ever study of Web surfers, almost 6 per cent of Internet users suffer from some form of addiction to it.

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Presenting Samsung ML-5000A Laser Printer.

It's no ordinary printer. *It's a Sprinter.*



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Controller	- Processor	33 Mhz. Motorola	24 Mhz. Motorola
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	- FPOT	15 secs.	18 secs.
	- Fonts	Intelligent - 35	Intelligent - 26
	- Emulation	PCL 6e	Enhanced PCL 5
Toner	- Life at 5% coverage	6000	2500
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*Source - competitive ads

Thanks to a 33 MHz High Performance RISC Processor combining with a 4 MB memory capacity, no ordinary laser printer can beat the speed of a Samsung ML-5000A. And that too without compromising on print quality. You get outstanding impressions at 600x600 dpi, enhanced further by the microfine toner. Make it your new choice.

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The Y2K bug is not a computer problem : it's a business problem. It can affect any computer, communication network or device that runs on microchips, seriously disrupting their functions. It is not restricted to large organisations, government and heavily computerised countries. It is your problem, because your business is at stake. And unlike any other problem, it has an unchangeable deadline for action – December 31, 1999. So investing a little time on it could well be the wisest business decision you have ever made.

The bad news about Y2K: it can affect your business.

The good news: if you act now, it won't.



What is the Y2K bug ?

As a shortcut, programmers decided to use two digits to record the year in computers and microchips. For example, the year '1999' would be recorded as '99'. This practice continued until very recently. On January 1st, 2000, however, these computers and microchips will recognise '00' as the year '1900' and not '2000'. Faced with a situation they cannot comprehend, they will 'panic' – and either shut down or generate incorrect data, disrupting business in many ways.

Is it hard to fix ?

Not really. In computers, the problem exists at five levels – hardware, operating system, software programmes, data and data sharing. Check how dates are used at these levels in your business, and you will get an idea of the task. Fixing Y2K is really a management issue. Invest some time and senior management commitment in drawing up and implementing a checklist of processes.



' I'm convinced Y2K will affect my business. Send me the 'Y2K OK' infopack at once.' (Fill in capitals).

Name_____ Designation _____

Company Name _____

Address _____ City _____

PIN_____ Phone _____ E-Mail _____

1. Type of Industry _____ 2. Type of organisation (✓): ☐ PSU ☐ Government ☐ Self Employed ☐ Pvt Sector

3. Turnover of company_____ 4. No. of computers_____

Mail to : **Solutions Integrated Marketing Services, P.O. Box No. 4481, Kalkaji, New Delhi-110019.**

BI

Even if you don't own computers, you could be affected.



Think. Do you deal with trading partners or customers who depend on computers ? If their systems are not Y2K OK, your raw materials supply and payments could be affected. It is in your best interest to talk to them and ensure their compliance. Do you have embedded chips in your business processes? These programmable devices control a variety of equipment and can be difficult to detect, test and rectify. In this case, carefully prioritise (based on assessment of impact) and seek help from vendors or the services of a consultant.

What are the financial and legal implications?

The Y2K bug will affect all date-dependent processes including invoicing, payments, production planning, databases, accounting, budgeting, payroll systems and date-dependent production facilities or building infrastructure. The first direct impact will be on cashflow. That's not all. Your Y2K status has to be reported quarterly and in annual reports as per SEBI guidelines. A Y2K OK certification is crucial for investor confidence. If you lead a publicly- quoted company or rely heavily on exports, the implications are grave. Most countries have already stopped dealing with non-Y2K OK companies. Also, if your customers or employees suffer any losses due to lack of Y2K compliance you will be liable for legal action.



How do I find out if I have the Y2K bug?'

Test all levels of operations of your computers and microchip-based systems. While the basic hardware test can be done within half an hour, other levels will require expert supervision. Even if you have an IT manager, call an outside agency for an impartial view.

I think I have the Y2K bug. What do I do now?'

Follow these steps in partnership with your Y2K consultant :

- Make an inventory of all date-dependent systems.
- Assess impact on critical areas.
- Repair, retire, replace or retain as the case may be.
- Test and install to ensure systems are Y2K OK
- Undertake contingency planning: never assume that the bug has been completely eradicated. Keep data backups and make alternative plans for all core business functions.

  Check new purchases and insist on Y2K OK certificates from every supplier.

Good news at last – how becoming Y2K OK can benefit your business.

Think of your Y2K OK project as spring-cleaning. An opportunity to evaluate and overhaul your company's infotech systems (tax benefits are available for this). This will lead to a better networked and more efficient organisation. One that customers looking for the reassurance of dealing with companies that are Y2K OK would love to deal with. It is an invaluable opportunity to cement existing relationships and develop new ones.

'Where do I get help?'



CMC (supported by Deptt. of Electronics, Govt. of India) has set up helpdesks in all major cities. Call them at (040) 3000409 / 3001682, or fax at (040) 3001683 / 3000167. Of course, you can always reach out to the DoE website : www.y2k.gov.in, or e-mail them at : help@y2k.gov.in. If you wish to receive a free Y2K infopack, just fill out the coupon below. Make sure you have all the ammunition to tackle this enemy. And wish your business a happy new year

Y2K at a Glance

- The Y2K bug can cause serious business disruptions
- Even if you don't use computers or microchip-based systems, Y2K problems in your suppliers, customers or utilities can affect you
- The bug isn't hard to fix – all it takes is time and senior management commitment
- Failure to get Y2K OK can lead to loss of data, cash-flow problems, loss of investor confidence and legal action
- The tests for the bug are simple, but must be carried out at all levels of date-dependent computer and microchip-based operations
- Inventorise; Assess; Repair-Retire-Replace or Retain; Test and Install; and have a Contingency Plan
- You can use Y2K to revamp your business & build new business
- There are several reliable sources of help

G 2000

DEPARTMENT OF ELECTRONICS

LET'S MAKE INDIA Y2K OK.

Lintas Y2K.DS.BI

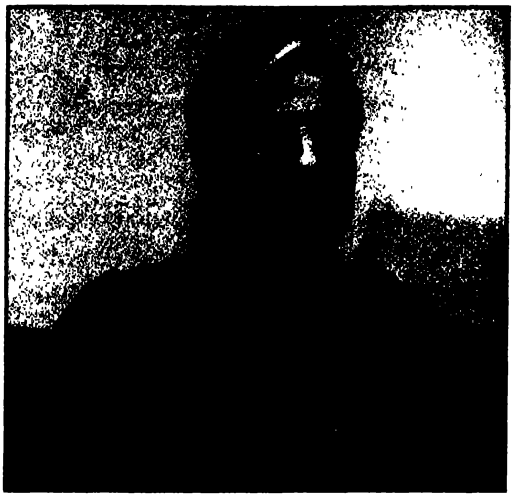
Mr Billionaire

We had at various times reported on Zee's moves. Not only has the scrip zoomed northwards, Subhash Chandra is planning a slew of new initiatives

The unknown billionaire has finally stood up to be counted. Subhash Chandra's gargantuan plans are not only taking shape, but are slowly fructifying into reality. His dream of turning broadcaster have also culminated with the launch of Zee Marathi on 15 August (reported by *BI* in its 12 July issue). In the same issue we reported that the Zee Telefilms scrip was headed northwards in the light of the proposed merger between Zee Telefilms and Zee Multimedia Worldwide Ltd (ZMWL). We had predicted that by July 2000, the Zee Telefilms scrip which was quoting at Rs1,550, would be touching Rs2,250. On 31 August, the share was perched at Rs3,250, down from an all-time high of Rs3,475.

ZMWL is going in for expansion of equity. With the swap ratio of the enterprise value having been fixed at 1.1:1 instead of the earlier recommended 1.33:1, the expanded equity is now Rs39.9 crore. Consequently, 200,24,200 equity shares of Rs10 each will be issued and allotted to the shareholders of ZMWL in exchange of their entire shareholding of the ZMWL.

We had stated that in July 2000, Zee promoter Subhash Chandra's net worth would be Rs7,741 crore, but with the new swap ratio, he already controls 76.2 per cent which in turn makes him worth Rs7,000 crore plus currently. What is significant is that the new shareholding pattern, post-acquisition has brought the FII shareholding pattern down to 13.7 per cent from the erstwhile 29 per cent (the maximum permissible limit being 30). This will see a fresh spurt on this counter as it has always been a darling of the foreign institutional investors.



LAKSHMI GOSWAMI

Chandra has launched a slew of new initiatives

More importantly, a share split is on the cards at Zee Telefilms counter (reported in *Listening Post*, 26 July) which will reduce the par value of the scrip from Rs10. It is believed that the Zee board is keen on fragmenting the scrip's par value to Rs2 which means that one share presently will be broken into five. Coupled with the FII charge, this will lead to increased liquidity as the cost of a market lot will become more affordable. With the acquisition, the shareholding pattern reveals that the public now has 5.3 per cent while FIs and OCBs own 3.6 per cent.

On the basis of all this *Business India*'s latest estimate for the merged entity's share price is Rs5,000 in the short term, so that each share at par value of Rs2 will be priced at Rs1,000. Subhash Chandra thus keeps the interest in his counter very much alive with increased availability of floating stock. And then who knows, where the buck will stop.

◆ SANDEEP BAMZAI

Back to square one

Business India *(15 July, 1996) had talked about how before Godrej divorced Procter & Gamble, the former sold the detergent brands Trilo, Ezee and Key to the latter. Now they are part of the Godrej stable*

They seem to have come full circle. The Rs918-crore Godrej Soaps has acquired the Ezee, Trilo and Key detergent brands from Cussons India Ltd. These were the same brands which the company had sold off to Procter & Gamble at a reported price of Rs40 crore. P&G, realising that it did not make much business sense, in turn sold these brands to Cussons International, makers of Imperial Leather products, about a year ago.

Now the brands are in the Godrej stable, though the cost of acquisition is not known. With the acquisition of Ezee, the country's largest-selling liquid detergent brand with annual sales of over Rs18 crore, Godrej Soaps claims to have secured more than 75 per cent of the country's Rs35-crore liquid detergent market. The company already held 15 per cent of the market with its Dip brand. Though Trilo and Key are relatively smaller brands, they are expected to help the company make an impact in the rural markets.

Godrej is working on strategies to develop these brands. The company has also acquired the rights to manufacture, sell and distribute the Imperial Leather soap and talc brand owned by the UK-based soaps and detergents major Cussons. However, Cussons India will hold the marketing rights to the brand.

◆ A CORRESPONDENT

How to win funds



Bilakhia has entered into a marriage of convenience

Yunus Bilakhia seems to have the best of both worlds. With several of the international players aligning or taking over agrochem businesses, to strengthen their base on domestic turf, Bilakhia has entered into a marriage of convenience. The Rs500-crore Bilakhia group with flagship Hindustan Inks under its banner, has shed part of its business in agrochemicals, with it going to Hoechst Schering AgrEvo. The multinational giant has picked up a 51 per cent stake in Mitsu Industries. Though the deal was supposed to have been sealed a couple of months back, it is believed that the money changed hands only recently. The management, it is said, is vested with the majority holders.

Bilakhia though will continue to hold the rest of the agro venture's equity. He has managed to get a handsome price of Rs350 crore, which could possibly be termed as the largest agrochem deal in India. And the promoters would still continue to reap the benefits arising out of the 49 per cent stake they hold.

The Rs275-crore Mitsu Industries was the fastest growing company in the group. It came into existence when one of the group's clients Sudarshan Chemicals was faced with an acute shortage of chemical chloral and Bilakhia seized the opportunity. Since then the company got into downstream pesticides chlorpyriphos and intermediates trichloroacetyl chloride and new generation pesticides cypermethrin and deltamethrin. Hoechst Schering used to source its bulk requirement of deltamethrin from Mitsu and formulate and brand the product under its name. This chemical is used in public health management and household pest controls.

CORRESPONDENT

In our earlier report (13 February 1995 issue), we had reported how the promoters of the Bilakhia group were going about identifying opportunities beyond national boundaries

One year wonder

Quadrant Communications is all set to end its first year with billings in excess of Rs55 crore. Last year (till 1 September 1998), the erstwhile Pratibha Advertising had billings of Rs38 crore. It may be recalled that Pratibha, the Kirloskar-owned ad agency, had last year tied up with Inter Public Group of the US to form the new entity, Quadrant. A year back the existing business of the erstwhile Pratibha Advertising Ltd had been carried over to Quadrant.

The Kirloskars have a 51 per cent stake in Quadrant with IPG holding the remaining 49 per cent. The company, which came into existence at the bottom-end of a recession cycle, has shown a 25 per cent growth in billings. The staff strength too has been boosted in the past year. "We have taken some existing staffers from Pratibha and a lot of new faces and we now have a whole fresh approach with a young team of account directors at our Mumbai, Chennai, Bangalore and Pune offices," says Gitanjali Kirloskar, president, Quadrant. Some of the new faces include J.S. Mani, who heads the Pune office, which is the headquarters of Quadrant; Debashish Das, who heads the Mumbai office; R. Badrinathan who heads the Chennai office, all of whom are ex-Mudra employees.

"We have launched new, innovative campaigns in the last one year, the most recent being the 'Bajaj Cricket Ka Guru' contest and the Sansui Scratch-in contest, during the recent Cricket World Cup," says Gitanjali. In the Bajaj contest, four new brands of Bajaj Auto, namely Legend, Bravo, Spirit and Caliber, were advertised in an unique way with questions popping out of ads at readers. "In this way we did not hardsell and at the same time the message went across," says Gitanjali.

Quadrant clients include Tetra Pak (India) Ltd, Racold and Karnataka Milk Federation. Quadrant is also looking at newer segments like private insurance, debit card concept, etc, which are expected to come to India soon. Gitanjali and her young team are brimming with ideas and are confident of achieving yet another year of 25 per cent growth.

• ROOP KARNANI

Q:uadrant

In our issue dated 22 March 1999, we had mentioned how after the tie-up with IPG, things were looking up at Quadrant Communications. Let's take a look at its progress on its first anniversary

He plans to make those drab walls come alive. Vinod Motwani, director of the Rs116-crore Sun Earth Ceramics Ltd (SECL), has acquired exclusive rights from Walt Disney Inc to reproduce Disney characters on ceramic wall tiles. So one can now have Mickey Mouse, Donald Duck, Goofy or the Little Mermaid adorning one's bedroom or living room walls. "Wall tiles have moved from being mere utility products to lifestyle products. Hence there is unlimited scope for creativity in designs. We have taken a lead in providing Indian consumers with a range of attractive designs for their walls," says Motwani. SECL, in the business of ceramic wall and floor tiles since 1995, claims to have a 10 per cent market share in floor tiles and a 15 per cent share in the wall tiles market. Motwani now wants to grab a fifth of the tile market in a couple of years.



With the new Sonora Studioline range of wall tiles, he plans to "put permanent entertainment value into a home." Since this is the first time such a product is being introduced in the Indian market, Motwani shies away from hazarding a guess on the potential of this business segment. It remains to be seen whether Motwani's tiles will bring him some smiles. •

Last fortnight, BT and VSNL decided to extend their existing alliance to provide global communication services in India. Under the BT/VSNL alliance, Concert, a wholly-owned BT subsidiary, and a leading global communications services company, will introduce its high-speed switched data service — Concert frame relay service — in the country. Concert is a single global managed network on a Cisco platform, essentially for high-speed data communication, and is often used for LAN-based applications in dispersed locations. The service will use VSNL's network to connect to Concert's international network, allowing Indian companies to build private data networks linking as many as 1,300 cities in 110 countries. "Through the frame relay service we can help Indian businesses and MNCs to build international networks that add real value," says Arun Seth, managing director of BT Worldwide (India) Ltd. BT is also providing on-line service to SAP customers. It hopes to start offering e-services to its customers as well. •



'Focus' is the key word for the $4.1-million CoreEl MicroSystems Inc, which is splitting its activities in the US and India into three core businesses. In Pune last fortnight to finalise these changes, NRI Chetan Sanghvi, an IIT graduate who set up the company in Fremont, California, three years ago, sees his Pune-based joint venture with Crompton Greaves playing a big role in the near future. "India can easily be a major player because of its strengths in software and innovation," says Sanghvi. CG-CoreEl Logic Systems Ltd and its US parent will focus solely on developing silicon and system-level intellectual property for networking and transmission 'system-on-a-chip' products. These products are multiple Core cells enabling the system to be put on one IC, in which CoreEl is a world leader. The new CG-CoreEl Programmable Solutions will concentate on providing system designs using programmable logic,



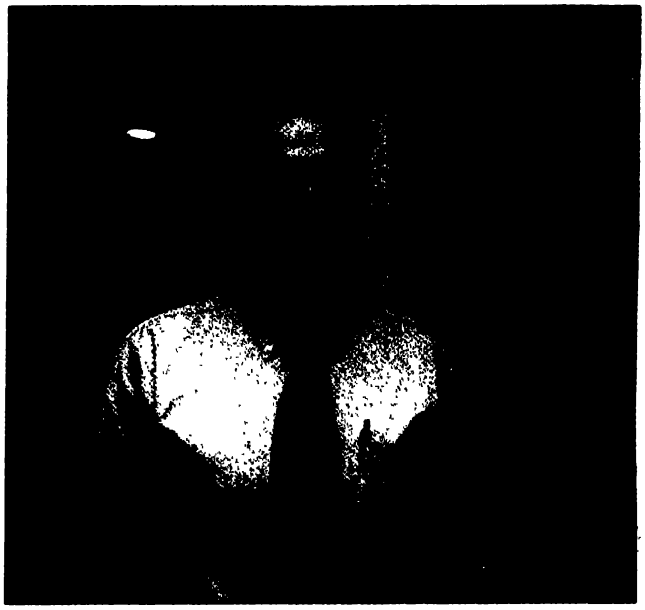
while distribution will be transferred to multinational semiconductor dealer Memec (Asia Pacific) Ltd. This is expected to enable the CoreEl group to concentrate on what it knows best: technology. "Research and development brought in nearly half our revenues in the last two quarters," Sanghvi says. •

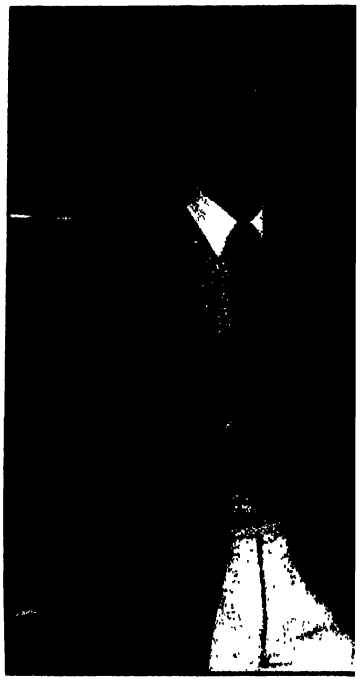
Retail is definitely the business to be in these days. Last fortnight, Mumbai-based jewellery house Danabhai extended its presence in the retail marekt. The company opened Pallazzio, a multi-branded retailing venture at the country's first mall, Crossroads, in South Mumbai.



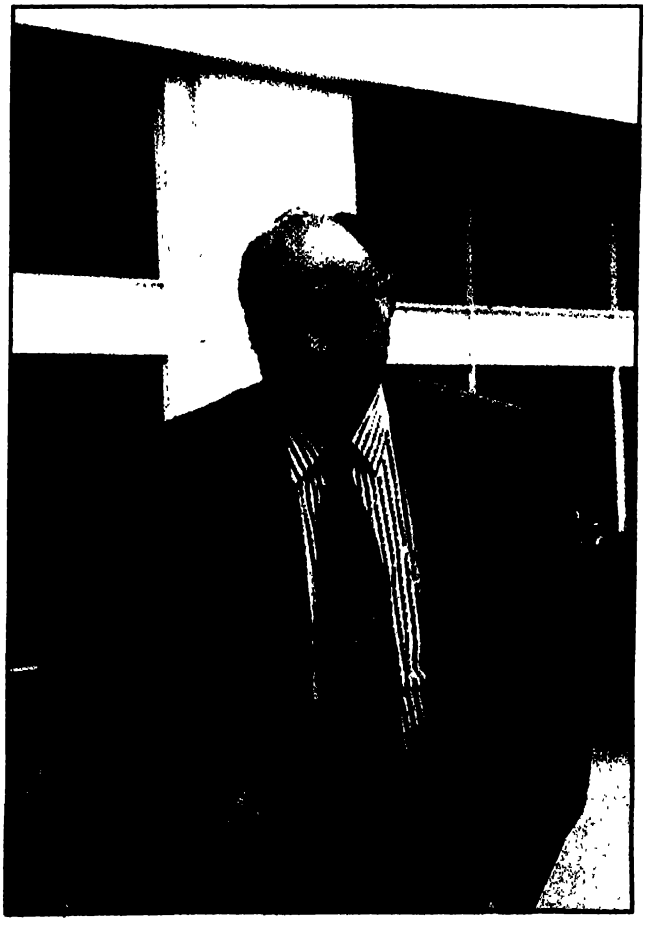
"Policies of liberalisation over the last few years have opened tremendous opportunities in terms of demand for new services," says Danabhai proprietor Ashok Minawala. Pallazzio is slated to be a lifestyle-oriented, rather than a jewellery-oriented, store. With the Indian consumer's increasing awareness of international trends, quality and brands, the store will house both Indian and international brands such as Tag Heuer, Gili, Gucci, Piaget and Dianet, to mention a few. Initially, plans are to open outlets in the metros; the idea being to reach a large number of consumers and host a larger number of brandnames. Apart from international brands, Pallazzio will also be a forum for young designers. It will house an exclusive gallery to launch art-related jewellery and will be a regular venue for exhibitions. In fact, the first exhibition planned is the De Beers Millennium collection. •

Education on the need to keep milk fresh and clean is the biggest task in marketing milking machines and other dairy equipment in India, finds **Hans G. Ekdahl**, CEO of Swedish milking automation pioneer Alfa Laval Agri. It has recently tied up Nestlé to help educate farmers on improving milk yields, and has programmes going with NDDB, Punjab's Milkfed, and milk cooperatives in Andhra Pradesh, Kerala, and other states. "As one of the world's biggest milk producers with an estimated value of $25 billion, this is a key country for us to be in," says Ekdahl. "We can bring in appropriate technology for the developing phase where India is today." AL Agri, which has a plant manufacturing coolers and milking machines at Karad in Maharashtra, sees the market here growing phenomenally, even if not as rapidly as projected when it set up the facility three years ago. The Indian subsidiary contributes only about Rs20 crore to the global revenues of $650 million but accounts for 125 of the parent's 4,200 employees in 15 plants and 55 marketing companies worldwide. "Our major investment here is in people," says Ekdahl.





Kanwal Rekhi, former chief technology officer of Novell Inc, the desktop networking pioneer, and now a well-known Silicon Valley venture capitalist and tireless venture evangelist, visited four Indian cities in August to spread the message of self-reliance. He addressed young entrepreneurs in Delhi, Hyderabad, Mumbai, and Bangalore before journeying to Amritsar to visit the Golden Temple. Rekhi's Silicon Valley venture association The Indus Entrepreneurs will open chapters in every city to promote the concept of IT professionals and enterprises organising themselves to assist new entrepreneurs get started with financial and strategic consulting support. Aside from his message about entrepreneurship Rekhi, an alumnus of IIT Bombay, also urged IIT alumni to spur efforts to raise funds for the institutes to free them from public dependence. He also hopes to advance the cause of the Civil Society movement, a global nonpolitical agency for social change.



It has been change at a blistering pace for **Probir Roy**, from Nuclear Power Corporation to star TV to Euro RSCG Interactive, where he is presently the chief operating officer. But the constant in this change is his abiding interest in information technology. He was busy setting up information systems at NPC and then star TV. Now he has to go beyond being a computer nerd and develop the business at Euro RSCG Interactive, a 100 per cent subsidiary of Euro RSCG AAdvertising, the largest advertising agency in Europe. The group is using the India centre as a global resource base for obvious reasons — availability of highly cost-effective local talent. Like every late entrant in the IT industry it is also on the lookout for possible takeovers, joint ventures, and so on. Probir is focusing not only on Internet design and consulting for Web-based solutions but also on that magical *mantra* of the 21st century — e-commerce. Besides being a resource group for Euro RSCG, the Indian operation has already done independent work for Mercedes-Benz, Davidoff Middle East, and Intel.



Canadian-born Michael Fromowitz, regional creative director for ad agency TBWA Asia Pacific, believes in "changing the rules". On a recent visit to India Fromowitz held several training sessions at the multinational's local subsidiary, TBWA Anthem. "What is missing is that too many people are looking at what is being done in the West or at award books to see the trends. You need to study what has happened before, but only so you can think out of the box," he says. Breaking away from the ordinary appears to be Fromowitz' *mantra*. When he started his own agency in the US after spending two decades in advertising, he decided to call it "Red Ball Tiger", of all things. Fromowitz reasons that the agency's links to Asia, where he had worked long years, influenced the christening. Within two years he shut shop and returned to Asia, which he has "grown to love". Based in Singapore, Fromowitz's task is to help make Anthem an agency that everyone would "want to work for". For starters, he is talking to his team on "creative advertising in a new environment".

Dubai-based Landmark Gulf Group recently opened its 30,000-sq ft destination store Lifestyle in Chennai. Having recently completed its 320,000-sq ft expansion in the Gulf, the group has been looking at markets elsewhere and has identified India, UK, and Spain as areas of potential growth. "We made a conscious attempt to go to Chennai first, as it is a good test market ground," says director (international operations) Vipin Sethi. The Indian company is called Lifestyle International Pvt Ltd. The group has already earmarked an investment of Rs100 crore over the next three years for the Indian market. In fact, according to Sethi, the group already has an added advantage to others that are entering the retail business. "We are already in the retail business and can pass on our economies of scale to customers." By the end of the year a 46,000-sq.ft. outlet should be up in Hyderabad.



Though Jean Marc Espalioux was in India last month only in his annual vacation period, his visit can hardly be taken lightly. The chairman and CEO of $17-billion Accor, the world's largest hotel network, spent long hours in Mumbai with senior members of the group's Asia-Pacific team. Accor currently has joint ventures with the Mahindra group for its "Mercure" brand of hotels and another with the Mumbai-based Radhakrishna group for its restaurant coupon brand called "Ticket Restaurant."

Now in its third year in India, Espalioux feels Accor has a team in place to go the full hog. From its existing four hotel properties in the country he is hopeful of growing to 10 within the next two years. "We are looking at our Sofitel brand for the big cities, Mercure for provincial towns, and Novotel for a few resorts. Accor will also look at existing hotels that need management expertise," he says. If the multinational's track record in Indonesia – where it set up 26 hotels in five years – is anything to go by, the country's hoteliers will need take Espalioux' visit seriously.





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Essel in Rs350-crore real estate venture

The Subhash Chandra-promoted Essel group is setting up a Rs350-crore housing project in Gurgaon. The group has floated Suncity Pvt Ltd to manage the new venture. The group has acquired 130 acres of land from local farmers for an estimated Rs90 crore. The brain behind the mega project is Subhash Chandra's brother Lakshmi Goyal. Suncity plans to offer around 760 plots covering about 50 acres for sale, while another 10 acres of land will be earmarked for group housing projects. Another 20 acres will be used for setting up a shopping complex, a community centre, a school and a dispensary. Multiplexes will be also thrown in to meet the entertainment needs of the residents of what is being termed the "metropolis of the millennium".



Satyam plans private placement

Software services major Satyam Computer Services Ltd has approached financial institutions, including Unit Trust of India, Life Insurance Corporation of India and General Insurance Corporation of India, to place shares worth nearly Rs350 crore on a private placement basis. According to top level institutional sources, although the Hyderabad-based company has made the offer, the FIs are yet to decide whether to take it up or not. While the Satyam management is keen on offering the shares at a market-related price, the FIs are looking at a 10-15 per cent discount. Since the placement will be of cum-bonus shares, each Satyam share would be worth around Rs1,900 on a cum-bonus basis. The scrip is trading at an ex-bonus price of Rs942 and the company has announced a 1:1 bonus. However, the FIs are looking at a price band of Rs1,600-1,650, a share. The company is planning to use the funds raised to pay off loans and become debt-free before launching its American Depository Receipts issue slated for the first quarter of next year.

Sebi panel to finalise list

A committee on rolling settlements, set up by the Securities and Exchange Board of India, will finalise a list of 10 scrips which will usher in rolling setlements in the country by 22 September 1999. The committee finalised the criteria for selecting the scrips at a meeting held recently. It was decided that those scrips which meet the criteria of a minimum of 250 trades per day with a volume of Rs1 crore will be identified. In order to ensure that there is no market manipulation in these scrips, an average for nine months between January and 15 September 1999 will be considered. The 10 scrips will also have to meet the criteria decided at an earlier meeting. They must have reasonable liquidity and should be part of the list of scrips where demat trading has been made mandatory by Sebi. The committee also discussed the efficiency of clearing houses and the depository infrastructure, which are essential for the success of rolling settlement.

Shivaji Works to merge with Kirloskar Oil

Kirloskar Oil Engines Ltd (KOEL) will dip into its reserves for the Rs85-crore bail-out of its ailing subsidiary, Shivaji Works Ltd (SWL). The scheme for amalgamation and rehabilitation was approved by KOEL shareholders at an extraordinary general meeting held in Pune recently. The scheme will now be submitted to the Board for Industrial and Financial Reconstruction (BIFR). Under the proposed scheme for rehabilitation and amalgamation, SWL will merge with KOEL. The share-swap ratio has been worked out at 25:1, ie, 25 shares of SWL for one share of KOEL. This will impact KOEL's equity to the extent of 15 lakh shares, valued at Rs19.9 crore. The Solapur-based SWL, set up as a 49 per cent subsidiary of KOEL, is a major supplier of castings to KOEL. It was declared a sick company in March 1998, with accumulated losses of Rs81.05 crore and Rs4.20 crore on account of cancellation of investments, making a total package of Rs85 crore.

Pepsi to invest Rs1,600 crore

The Rs2,500-crore Pepsico Holdings India Ltd plans to invest nearly Rs400 crore annually in the next four years in order to enhance its marketshare in the country. The company, which recently announced the launch and test marketing of its Aquafina brand of mineral water, also plans to set up seven new PET bottling plants by 2000. Pepsi currently has 40 bottling lines in the country, of which 24 are owned by franchisees. The soft drinks major has also set itself a target of adding 100,000 retail outlets each year to beef up its existing distribution network of 600,000 outlets. It has earmarked Rs90 crore annually to provide visicoolers to its outlets. While the company plans to increase its focus on the rural markets, from where much of the growth is expected, it will also renew its thrust on the exports front. Exports accounted for Rs400 crore of the company's revenues last year.

Dairy Farm to pick up stake in RPG venture

Dairy Farm International, a leading food and drug retailer in the Asia-Pacific, has entered into a joint venture

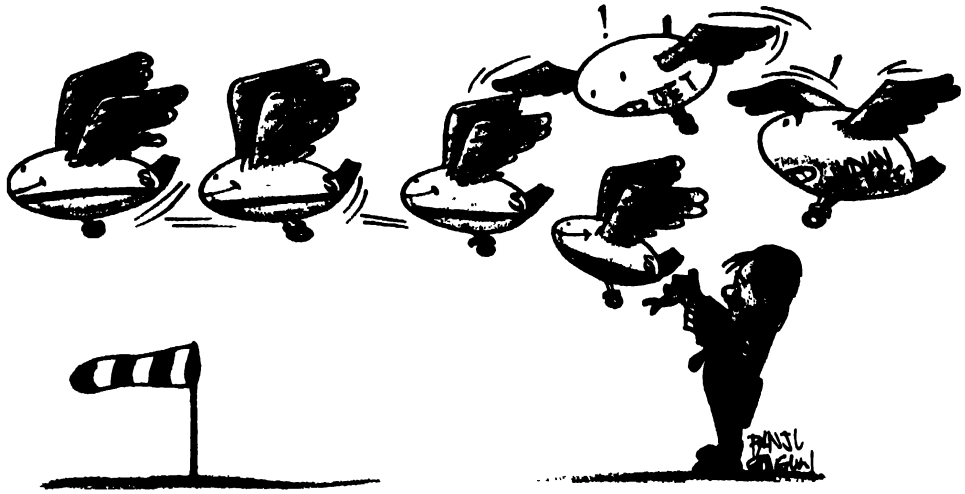
agreement with Spencer & Company Ltd, the retail arm of RPG Enterprises. Under the pact, Dairy Farm will operate Spencer & Company's Foodworld chain of supermarkets in the country. The international retailer, which runs 1,871 stores in nine countries with total sales of $6.6 billion, will invest $6 million to pick up a 49 per cent stake in Foodworld Supermarkets Ltd. Spencer will hold the remaining 51 per cent in the new company. The joint venture will acquire the 29 Foodworld supermarkets currrently being run by Spencer in Chennai, Bangalore and Hyderabad. The company plans to set up 50 outlets in Pune and other cities by June 2000.

L&T plans new subsidiaries

Larsen & Toubro (L&T) plans to set up two independent subsidiaries for power and infrastructure projects. Announcing this at the company's 54th annual general meeting, L&T chief executive officer and managing director A.M. Naik said the new subsidiaries were being set up with a view to leverage financial resources. However, he added, it was too early to say how L&T's existing power and infrastructure projects would be re-aligned with the new subsidiaries. The company also plans to increase cement capacities from 12 million tonnes to 12.6 million tonnes. L&T has roped in international consultants Boston Consulting Group (BCG) and William M. Mercer to help it in its plans to achieve a turnover of Rs25,000 crore by 2005. While BCG is reviewing L&T's business portfolio, Willaim M. Mercer will advise the company on realising the potential of its human resources.

More Sahara flights on major routes

Sahara Airlines plans to introduce more flights on the major trunk routes, thus intensifying competition in the sectors where Indian Airlines and Jet Airways are already engaged in a fierce fare war. Sahara is planning two daily flights on the Delhi-Bangalore, Delhi-Calcutta, Mumbai-Hyderabad and Mumbai-Chennai routes.



The airline will also add a fourth flight on the key Mumbai-Delhi sector by end-October. This is despite the already excess capacity on these routes. Sahara also plans to increase its fleet from five to seven in the next two months. Sahara's latest move is expected to trigger another round of fare cuts with the airline saying it is determined to match the lowest fare offered in any sector it operates.

Johnson cuts stake in H&R Johnson

The UK-based Johnson International has reduced its stake in H&R Johnson (India), a joint venture with the Rajan Raheja group, from 40 per cent to 22 per cent. The dilution in stake is on acount of the fact that the UK ceramics major stayed away from a Rs38-crore rights issue floated by H&R Johnson in 1998-99. Subsequently, the Indian partner subscribed to the entire rights issue. The Rajan Raheja group's holding in the Rs214-crore joint venture has now gone up from 60 per cent to 78 per cent. With sales of Rs220 crore, H&R Johnson's 'Johnson' brand enjoys a 23 per cent marketshare in the over-Rs1,000-crore domestic ceramic tiles industry.

Torrent group cos approach BIFR

Torrent Gujarat Biotech and Torrent Cables of the Gujarat-based Torrent group have sought to be declared sick by the Board for Industrial and Financial Reconstruction. While the board has declared Torrent Cables a sick company, it has reserved its orders on Torrent Gujarat Biotech. For the year ending March 1999, Torrent Cables, which manufactures power transmission cables, reported accumulated losses worth Rs23.70 crore, which wiped out the company's net worth of Rs22.44 crore. The board has asked Bank of Baroda, the operating agency, to submit a techno-economic viability report, which will decide if the company can be made viable again. Torrent Gujarat Biotech, which manufactures Penicilin-G, has accumulated losses of Rs108.84 crore and a paid-up capital of Rs44.84 crore.

Jindal Strips to set up overseas arm

With the lull in the domestic steel market, Jindal Strips Ltd (JSL) is now looking at exploring the overseas market. The stainless steel major is planning a wholly-owned subsidiary abroad to develop export markets for its products. Though the company is yet to decide where it will set up the 100 per cent subsidiary, the countries being considered are Dubai, Singapore and the UK, among others. JSL is currently working out the costs for setting up the unit. In 1998-99, the company exported products worth $6.5 million. In the current financial, the company plans to increase exports in a big way. It has already enhanced its stainless steel melting capacity from 1 lakh tpa to 2.5 lakh tpa, and now plans to hike its cold-rolling capacity from 30,000 tpa to 90,000 tpa.

Compaq's dual-focus strategy

Compaq India will adopt a dual-focus strategy to claim the top slot in the high-volume and high-value business in the country. On the high-volume front, which includes PCs, notebooks and low-end

servers, the company has decided to formulate an aggressive pricing strategy as well as manufacture commercial PCs in the domestic market. On the high-value front, Compaq will set up call centres in major markets across the country, besides providing customer solutions in specific vertical industries. The company is also considering more tie-ups with independent software developers to offer complete solutions to customers.

Escotel deep in the red

Escotel Mobile Communication Ltd has run up accumulated losses of nearly Rs303 crore. In the 1998-99 financial year, the company had reported losses of Rs187.83 crore on a total income of Rs73.78 crore, while in 1997-98 the losses stood at Rs115 crore on income of Rs44.16 crore. Losses posted in the last two finacial years, thus, add up to a staggering Rs302.98 crore. A joint venture between Escorts and First Pacific of Hong Kong, Escotel provides cellular services in Haryana, Western Uttar Pradesh and Kerala, and has a total customer base of 70,000. While Escorts holds 51 per cent in the joint venture, the Hong Kong-based firm holds 49 per cent.

Crisil downgrades Arvind Mills

Crisil has downgraded the rating assigned to Arvind Mills' debentures from BBB+ to C, indicating substantial risk. The nine-notch downgrade follows the delay in the company's payments to banks and financial institutions. Arvind Mills' two outstanding non-convertible debenture issues have now come down from investment grade to below-investment grade. According to Crisil, the company had suffered substantial time and cost overruns in its expansion and diversification projects at a time when the denim industry itself was witnessing a downtrend. The credit rating agency said the downgrade reflected the "vitiation in capital structure and the resultant liquidity pressures resulting in a delay in debt obligations to institutions and banks". Arvind Mills, the country's largest manufacturer of denim, ended the first quarter of the current financial with a Rs48.16-crore loss on sales of Rs250 crore.



HDFC cuts rates

Effective from 1 September, 1999, the Housing Development Finance Corporation has cut interest rates by one percentage point in its Rs5–10-lakh loan slab. The interest charged on this slab has been reduced to 13.5 per cent from the earlier 14.5 per cent. Loans over Rs10 lakh will attract an interest of 14.5 per cent. This is the second time in 1999 that the housing finance major has effected a cut in interest rates. In the latest rate cut, HDFC has merged two loan slabs – Rs2–5 lakh and Rs5–10 lakh – to create the new slab, which will attract the 13.5 per cent interest charged earlier on the Rs2–5-lakh slab.

Petronet-DCM Shriram pact

Petronet LNG has signed a memorandum of understanding (MoU) with the Rs700-crore DCM Shriram Consolidated. Under the pact, Petronet will supply 0.75 million standard cubic metres of LNG per day to DCM Shriram's 400,000-tonne urea plant at Kota. The Kota plant is currently based on naphtha. The move is in line with Petronet's increasing focus on fertiliser companies as potential users of its regasified LNG. Petronet has also signed similar MoUs with other fertiliser companies such as Kribhco, Chambal Fertilisers, Indo-Gulf Corp and FACT. Recently, the company signed a 25-year deal with the Qatar-based RasGas for the purchase of 7.5 million tonnes per annum of LNG from the latter.

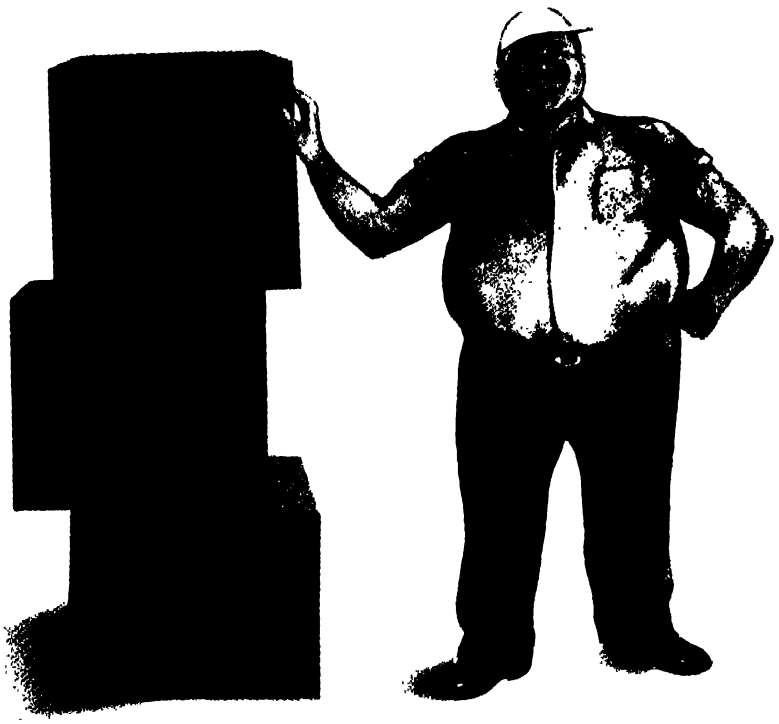
GAIL to invest in LNG project

The Gas Authority of India Ltd (GAIL) will invest Rs283.33 crore for a 33.33 per cent stake in the Rs2,530-crore LNG project promoted by the Tatas and French firm Totalfina. Currently, the Tata Electric Companies (TEC) and Total hold 50 per cent each in the project which will come up at Trombay. Once the public sector giant picks up its stake, the three companies will hold 33.33 per cent each in the project. Called India Natural Gas Company Ltd, the project has a total equity base of Rs850 crore. The six million tonne per annum project will be set up in two phases of three million tonnes each.

ITC acquires 51 per cent in Rollatainers

The ITC group is acquiring a 51 per cent stake in paper packaging company Rollatainers Ltd. Rollatainers is one of the largest paper packaging companies in the country. ITC is acquiring the stake through a subsidiary Russel Credit. The Bhargava family, promoters of Rollatainers, will dilute its stake in the company from 40 per cent to 20 per cent. Institutional and public shareholding will go down from 60 per cent to 29 per cent. Rollatainers will make a preferential allotment of 70 lakh shares to ITC at around Rs35 per share. ITC's acquisition of a majority holding in the company marks its entry into the paper packaging industry in a big way. ITC has identified paper as one of its core businesses and plans to become a major player in the paper industry.•

A division of



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Craning for help

The lack of institutional financing and poor mechanisation perpetuate primitive practices in the construction industry

Infrastructure development is the buzzword these days. And there is no doubt huge amounts of investment will flow into the sector in the coming years. But is the Indian construction industry geared up to meet the challenge? There are a million small and big construction companies in India, about 20,000 of them in the organised sector. Only a handful have access to institutional finance as yet. Most of them are run by local contractors who are ruthless men with strong local affiliations, political clout, and access to an untapped untaxed reservoir of money. Politicians and criminals have flocked to the business in the last two decades.

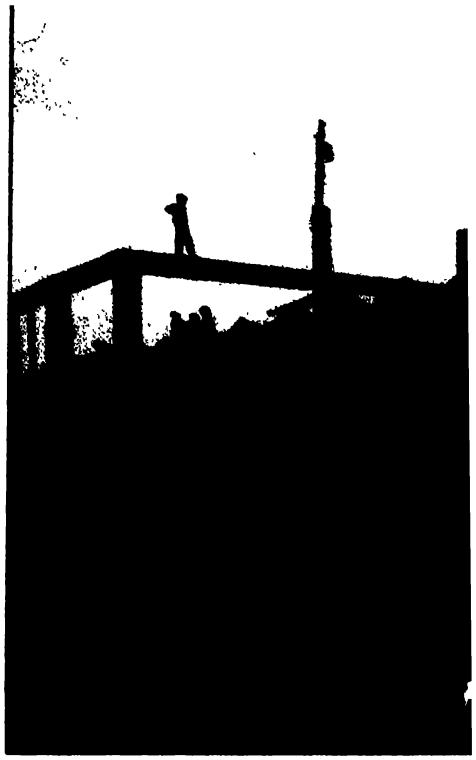
The Reserve Bank of India has no lending norms specifically for the construction industry. As a result, most finance comes from the grey market. There are some exceptions like IL&FS, HDFC, and IDBI. But these are mere drops in the bucket. Private leasing companies have also entered the industry. Some like Srei International now lend money to the construction industry, largely for equipment purchase. Managing director Hemant Kanoria says that, over the years, he has developed his own strong credit assessment criteria. "The idea is that there should be no non-performing leases. So the repayment terms tend to take that factor into account and are very stiff in some cases," he admits. But he says he has over 2,400 clients whom he has lent to in the last 10 years and his NPLs are under 3 per cent. "The biggest contractors now want to buy equipment which costs Rs5 crore apiece. But that sort of relationship only builds up over the years," he says. His smallest clients lease equipment worth a few lakhs.

For the smaller contractor who needs finance in the lakhs and thousands, the *mahajan* market is the only source. These *sahukars* charge up to 30 per cent a year. Others make do with the mobilisation advance given by the client, although this is mostly inadequate. There are no factoring services available for construction-related bills and contracts. Construction industry contracts are handed out to the lowest bidder and his stock of equipment and labour are never assessed. The contractor then puts together the labour from the *sardars* and gets the equipment on hire from other contractors. He mostly subcontracts specific items on the work order to others.

A senior executive at international construction consultancy Flour Daniel points out that he is amazed at the complete undermanning by the main contractor and the large and unwieldy hierarchy of small, technically deficient jobwork contractors on Indian construction sites. Payments are similarly unwieldy. Industry body Construction Industry Development Council (CIDC) estimates that less than 10 per cent of the work order is executed by the main contractor and the rest is farmed out to smaller jobworkers. The main contractor keeps a 10 per cent security deposit with the client in case of non-performance. He receives a 10 per cent mobilisation advance when his upfront costs are up to 30 per cent. His payment comes erratically and in stages. As a result, the entire hierarchy of workers are also paid similarly.

According to industry experts, Indian construction industry equipment is about 35 per cent more expensive than that imported by foreign companies operating in India. This is because of the higher taxes and duties on such equipment and also the higher cost of borrowing. The lease market has also not developed sufficiently and a lot of equipment is damaged while carting it from site to site.

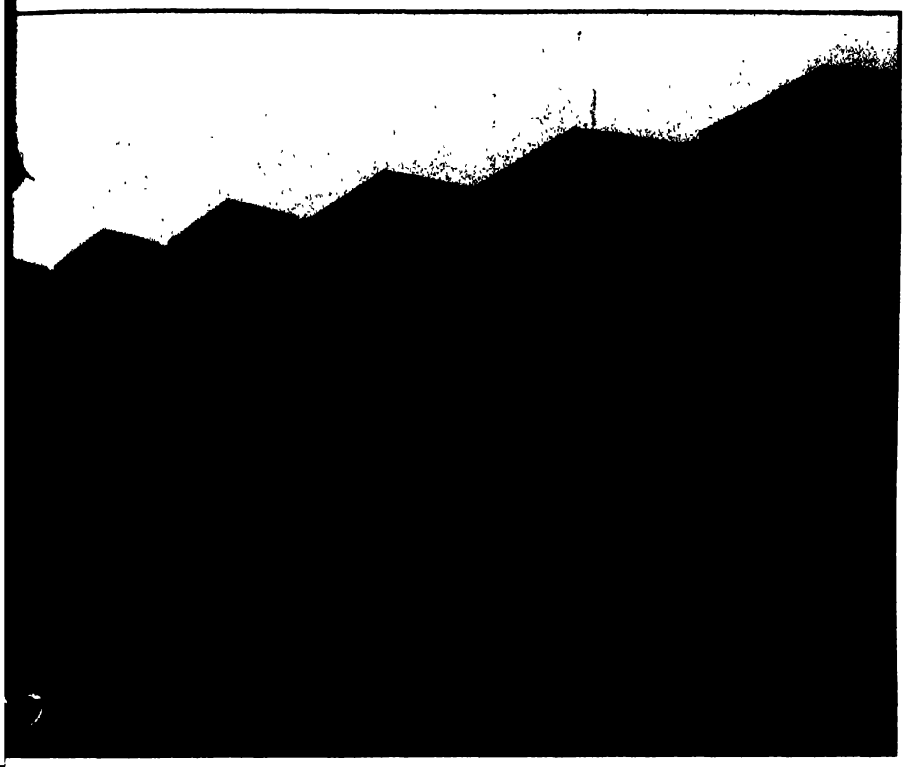
This has pushed costs against mechanisation. A case study of the Thoubal Hydroelectric project in Manipur shows that while it costs Rs45/m^3 when excavation is done mechanically, it costs Rs34 when done manually. However, 32 machines would complete the work in three years, while it would take 1,000 workers four years.



There is strong political resistance to mechanisatio

Kanoria says there is a proposal for a national construction equipment bank being mooted by the bigger companies in the country including his own. He says it would need Rs200 crore to start off and would be able to buy many bigger pieces of equipment, which are needed for the large infrastructure projects. He says that while government help would be needed, the bank would be attractive to construction equipment manufacturers, construction companies, and financial service companies like his own. He believes that if the bank can take off it will catalyse the modernisation of the construction industry. India currently consumes about Rs4,200 crore worth of construction equipment annually.

On paper funds are available. CIDC secretary general P.R. Swarup points out that the National Highways Authority of India has a kitty of over Rs3,000 crore which it has invested in government paper. Its investment in highways is a mere Rs300 crore a year. He also asks about the fate of $2.4 billion collected under the Resurgent India Bond scheme which was to finance infrastructure projects.



in big government projects, which are seen as massive sources of local employment

The result of all this has been that the government and industry have discouraged efficient choices in selection of technologies. Big government projects are seen as massive sources of local employment in the construction stages and there is strong political resistance to mechanisation. "Out-of-date piling rigs have made piling costs so low that better mechanical means are being driven out of the market," says Pesi Dadina, managing director of Calcutta-based KND Technologies. He points out that technologically superior premix batch concrete is more expensive than the bad quality site-mixed concrete simply because the former attracts higher taxes and duties. According to B. Muthuraman, a senior executive with Tata Steel, one of the biggest drivers for political decisions on new projects, like that the company had proposed in Gopalpur, is the number of workers to be employed in the construction phase and the number of unskilled jobs available.

The Flour Daniel executive quoted earlier says that Indian contract procedures work to the advantage of unskilled contractors since no engineering expertise is required of them. He says that the client works out the details and then asks him to bid on specific packages. "Contractors are essentially people who can find holes in the contract and later bill for extra work," he says. The unwieldy system means that people with no technical knowledge but the ability to navigate the legalese and finance the initial stages of work actually get the work. The skilled people are either employees of such a contractor or small contractors to whom the contract is offloaded.

Credit rating agency ICRA has been trying to work out a system to grade contractors, projects, consultants, and clients. In spite of the obvious attractiveness of the idea, there has been no government and institutional support for such efforts.

Till this collective paralysis is removed, India's massive infrastructure buildup will remain a dream. There will no doubt be some efforts carried on by large multinational firms in the country and sporadic efforts by the larger Indian companies, but the contractor raj will never end.

• SUDIPT DUTTA

LNG SUPPLY

Mere gas?

The recent sales purchase agreement between Qatar's Ras Laffan Liquefied Natural Gas Co (RasGas) and Petronet LNG Ltd, a consortium of Indian oil companies, is likely to face a stumbling block over the issue of the nature of the contract.

The agreement is for the supply of 7.5 million tonnes (Mt) per year of LNG to two terminals being set up in India — 5 Mt to Dahej in Gujarat and 2.5 Mt to Kochi in Kerala. The agreement was signed in London on 31 July by Suresh Mathur, chairman and managing director of Petronet LNG Ltd, and Youssef Hussain Kamal, Qatar's minister of finance, economy, and commerce, who is also chairman of RasGas.

However, according to reports from New Delhi, the Indian Ministry of Petroleum and Natural Gas has rejected Petronet LNG's proposal to set up a joint venture with RasGas for the shipment of LNG from Qatar to India. The Indian government would like the imports of LNG to be contracted on an FOB (free on board) basis and not on a CIF (cost, insurance, and freight) basis as was proposed by Petronet LNG. A CIF contract would have allowed the joint venture to include in the rates the charges for shipping LNG from RasGas's facilities in Qatar to Indian shores. An FOB contract, on the other hand, will permit only the rates prevailing at Qatar at the time of shipment to be charged.

Petronet LNG claims that the signing of the sales purchase agreement was a "historic occasion" since it entails supply of LNG from the world's largest single source of natural gas. Qatar is home to the world's largest gas fields, and its current reserves are estimated to last for over 300 years. The sales purchase agreement grants exclusivity to Petronet LNG to supply LNG to Gujarat and Kerala for a period of 25 years.

Petronet LNG's deputy GM (human resources) N.K. Badri Narayanan said in a news release that the company had, for the first time ever, bid for global offers for the purchase of LNG.

It received 17 offers, from which seven major global LNG players were shortlisted. The company claims that it followed a "most transparent and competitive process" in identifying RasGas as the most preferred supplier.

Petronet LNG was conceived to provide an extensive and comprehensive infrastructure for LNG in India, encompassing all related operations, from sourcing and purchase to imports, regasification, and distribution. It was started by a consortium of four Indian oil companies — Oil and Natural Gas Corporation, Indian Oil Corporation, Bharat Petroleum Corporation Ltd, and Gas Authority of India Ltd.

Petronet LNG has already acquired 49.3 hectares of land at Dahej for its receiving and regasification terminal there. For the Kochi terminal, 50 hectares of land has been allotted by the Cochin Port Trust. The company claims that techno-economic feasibility studies have clearly established the viability of both these projects. According to Badri Narayanan the financial closure of the project is expected to be completed by March 2000, so as to commence receipt of LNG by the middle of 2003.

However, if the Indian government insists on the FOB nature of the import contract, Petronet LNG and RasGas will have to try another tack.

• K.G. KUMAR



SANJAY BORADE

Singh and Tandan, the men behind MZIndia

HARDWARE SOLUTIONS

Indian zones

Two Indians in America, actually out of Africa, got a bright idea in 1984 — one connected with IT naturally (aren't they all?), but not to develop software. Instead, the company would build systems to enable IT managers to be able to painlessly source all the materials necessary to create IT solutions. Naming their company Multiple Zones International Inc USA (MZI USA), Sadrudin J. Kabani and Feroze H. Lalji eventually launched four colourful magazines packed with information about computers and peripherals. The magazines are distributed free, with costs borne by information oriented advertising. Non-paid content is minimal. Unlike other catalogue-based publications, the four Multiple Zone products focus on separate areas of information — *The PC Zone* on IBM compatibles and their associated hardware and software, *The Mac Zone* on Apple Macintoshes, *The Learning Zone* on education and training, and Zone.com on the Internet. It has a strong Asian influence, with its magazines and solutions available throughout South and Southeast Asia.

Ten years later in India, Manpreet Singh was making waves in HCL, having grown from selling PCs and peripherals to launching Frontline Solutions, a successful line of business aimed at the home and small business market, marketing HCL's and its business partners' products. Today Frontline has been absorbed into HCL, since Manpreet quit in 1996 to launch Multiple Zones India Pvt Ltd at the end of 1996.

MZIndia is different from its US-based parent's earlier launches in that it is a joint venture in India, its Indian portion owned by Manpreet, who started it, and Gokul Tandan, who came in to support its operations financially a year back. Tandan was himself once a part of the hcl group, having launched Network, the typewriter company, a couple of decades back. MZIndia began with an initial capital of just Rs12,000, and has grown very successfully since then. "We thought that we could exploit the fast-growing home and small business market in India, but found soon that for us the real market lay in the traditional corporate world. Purchase and systems managers find a serious problem in sourcing most system parts, which covers a far wider range than just boxes and printers."

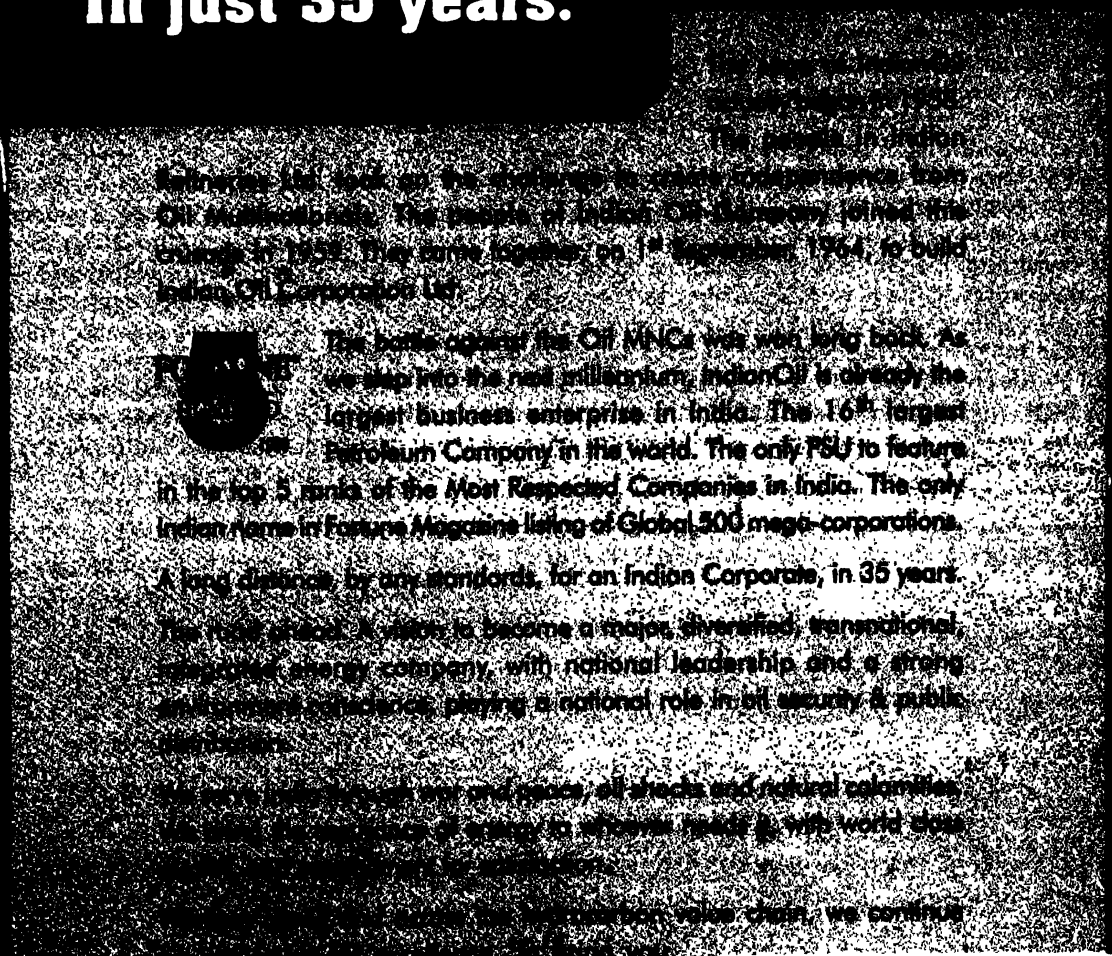
The company has crossed the Rs20-crore mark some time back, according to Tandan, because it allows its clients access to a complete supply chain solution through a combination of direct sales (the magazine, called *The PC Zone* Business). Thus Indian managers can now buy anything from routers to connectors direct from MZIndia, choosing from any brand that has a relationship. Needless to say, virtually all reputed brands can in fact be found inside the magazine, which is now issued regularly every two months.

Having proved the success of its initial concept, the company now plans to expand its offerings with a strong skew onto the Net. Registered customers will be able to not only order but also track the status of their orders using this service. The company, which has thus far financed its working capital largely from within, will shortly be making an offering to private investors/venture capital funds. All three partners will dilute their holdings proportionately, to reassure the new investors of continuity.

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PROFESSIONAL SECURITY

Challenging prospects



HARMON SINGH

IISSM president R.K Sinha (R) says private security is among the fastest growing industries

Security and loss prevention constitute one of the fastest growing and changing industries worldwide and encompass a variety of products and services for industrial applications and the safeguarding of event venues, persons, and property against hazards arising out of human negligence, natural calamities, and criminal intent. The growing complexity of industrial societies in the 1980s and 1990s has transformed a fairly straightforward, human-resource-based profession into a business built on competence in strategic intelligence and research, engineering and industrial automation, information technologies, law, media relations, and the management of all of these.

The challenges of industrial security in the coming millennium were set out and discussed at a recent international conference of security professionals in Penang, Malaysia, organised by the International Institute of Security and Safety Management (IISSM) headquartered in New Delhi. Its members include professionals from the US, Israel, Turkey, Indonesia, Malaysia, Mauritius, Singapore, and Hong Kong, besides India.

The need for closer co-operation and inter-networking between private security agencies across a "borderless world" was the theme of the keynote address by Dato' Ismail bin Hamzah, deputy secretary-general of the Malaysian ministry of home affairs. "The security and safety industry is an important sector to help nation-building, not any less important than other primary sectors," he said. "The bottomline is the realisation of a safe place to live, work, invest, and do business. Trade and industry cannot survive, much less thrive, when violence and crime reign."

The bewildering pace of technological development has created vast opportunity for criminal abuse — it's no secret that antisocial forces all over the globe are always a step ahead of the law-enforcers. In such a scenario the traditional reactive "security" approach must give way to proactive "deterrence". Lauri Kingsbury, a former Detroit police officer and author of two textbooks for police personnel, spoke of the need for a precise definition of deterrence and clear articulation of the means to achieve it. The reason, she said, is that differences in understanding of the terms of a security contract between security provider and client have led to a number of legal conflicts in the US.

Building security systems have come a long way from the very first electromechanical devices to the modern age of microprocessors and biometrics. Kerran Campbell, MD of CCD Consulting Engineers Australia, a multidisciplinary consulting practice that specialises in security engineering, described the challenges of integrated security management. In any modern security programme, he said, management is the most important factor, more than planning/design and even technology. That wasn't the case in the 1980s, when technology developed so rapidly that management had to be modified to fit systems instead of the reverse. Those were the days when security was simply layered onto existing building automation systems and was not treated as a critical individual requirement.

Crisis management is another area of developing expertise in the West. Preventing, responding to, and recovering from terrorist confrontation were the subject of US anti-terrorism expert Stanley Grogan's address. "In terrorism 'they' choose the time, the place, and the method," he said. In dealing with a terrorist attack, he added, an incident command system is vital. "What such a system does is to avoid chaos through an effective form of people management." The effectiveness of such a system was demonstrated in the operation following the Oklahoma bombing. Equally important is the need for skilful management of the media, which can be used at such times to project reassurance and confidence in the authorities' control over the situation.

R.N. Dash, senior executive director of Security and Intelligence Services India, provided insights into the unforeseen hazards of technology, the invasion of privacy through remote sensing and remote control, the catastrophic proportions of cybercrime, and the avenues for abuse of scientific research.

Malaysia has had its share of problems with public order. Dato' Abdul Hamid bin Mustapha, former chief police officer of Penang, described the success of his "package policing" initiative in the state, at one time a stronghold of the Chinese triads and other murderous criminal gangs. His approach was to get the people actively involved in policing their own localities, which engendered a more responsible attitude to their security requirements and lower dependence on an overstretched police force.

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The big small parties

Minor coalition partners, with their regional strongholds, will be more important than ever before in the national governments to come



Naidu may script the success story of the BJP in Andhra Pradesh

Despite the so-called polarisation of Indian politics towards the Congress and the BJP, the reality in the different states is that regional parties that talk of issues both local and national in tune with the regional aspirations and requirements have entrenched themselves firmly into the system. Even in the national perspective, no national party can ignore them on their turf and, therefore, alliances have become a natural phenomenon with both the Congress and the BJP opting for different partners who can tilt the balance.

Business India has prepared a brief of the major political alliances in different states where regional parties wield considerable influence and what it means in terms of the expected voting pattern for the constitution of 13th Lok Sabha:

Andhra Pradesh: The state is going for assembly elections along with the Lok Sabha. The Telugu Desam Party (TDP), under the leadership of chief minister N. Chandrababu Naidu, has forged an alliance with the BJP as its minor partner to take on the Congress, its main rival. In the last elections, the TDP, which had entered into a tie-up with the Left, won 12 out of 35 seats it contested with 31.97 per cent of the total votes polled. (The state has 42 Lok Sabha seats).

The BJP, fighting alone, bagged four of the 38 seats contested with 18.30 per cent votes. The Congress, the main opposition, captured 22 of the 42 seats it contested with 38.46 per cent votes. This election, the TDP has put up its candidates in 34 parliamentary constituencies, leaving eight for the BJP. Going by various opinion polls, the parliamentary elections will see a neck-and-neck fight with the BJP-TDP alliance and the Congress expected to garner around 42 per cent of the votes, each claiming almost an equal number of seats. In the assembly elections, the TDP is going to the polls under Naidu for the first time. In the absence of the NTR charisma factor, the Congress appears to have an edge at the moment. But the development work undertaken by Naidu in the state during his three-year stint as chief minister is expected to give a boost to TDP's image in the final run-up.

Gujarat: The main contestants here are the BJP and the Congress after the merger of Vaghela's RJP with the Congress. In the last elections, the BJP won 19 seats with 48.28 per cent of the total votes polled, while the Congress could manage only seven seats with 36.49 per cent of votes. According to various opinion polls, the situation is going to remain the same.

Haryana: The scenario is completely different from the last elections with the BJP switching over its alliance from Bansi Lal's HVP to Chautala's INLD and the BSP opting for HVP in place of INLD. The Congress has decided to go it alone. The last year has been very eventful in the state with Chautala replacing Bansi Lal as the chief minister. In the last elections, BJP, HVP and BSP bagged one seat each, while INLD and Congress cornered four and three seats, respectively. The incumbency factor seems to be almost absent this time.

As far as the share of votes is concerned, the Congress got 26.02 per cent, BJP 18.89 per cent, BSP 7.68 per cent, HVP 11.60 per cent and INLD

26.88 per cent. The new political equation clearly shows a tilt towards the BJP-INLD alliance with both fighting on five seats each.

Bihar: The last elections saw a triangular contest with the Congress as a minor partner of Laloo Prasad Yadav's Rashtriya Janata Dal (RJD), the BJP allying with the Samata Party (SP) and the Janata Dal (JD) in alliance with the Left. This time, however, there will be a direct contest between the RJD-Congress alliance and the BJP-Janata Dal (United) alliance. JD(U) was formed after the merger of SP with JD. In the last elections, out of the 54 seats in the state, the Congress got five of the 21 seats it contested with 7.27 per cent votes, RJD got 17 of 48 seats contested with 23.21 per cent votes, BJP got 20 of the 32 seats contested with 24.03 per cent, and SP got 10 of 21 with 15.74 per cent of the votes polled. JD's share was 8.72 per cent votes, while that of the Left was 3.80 per cent.

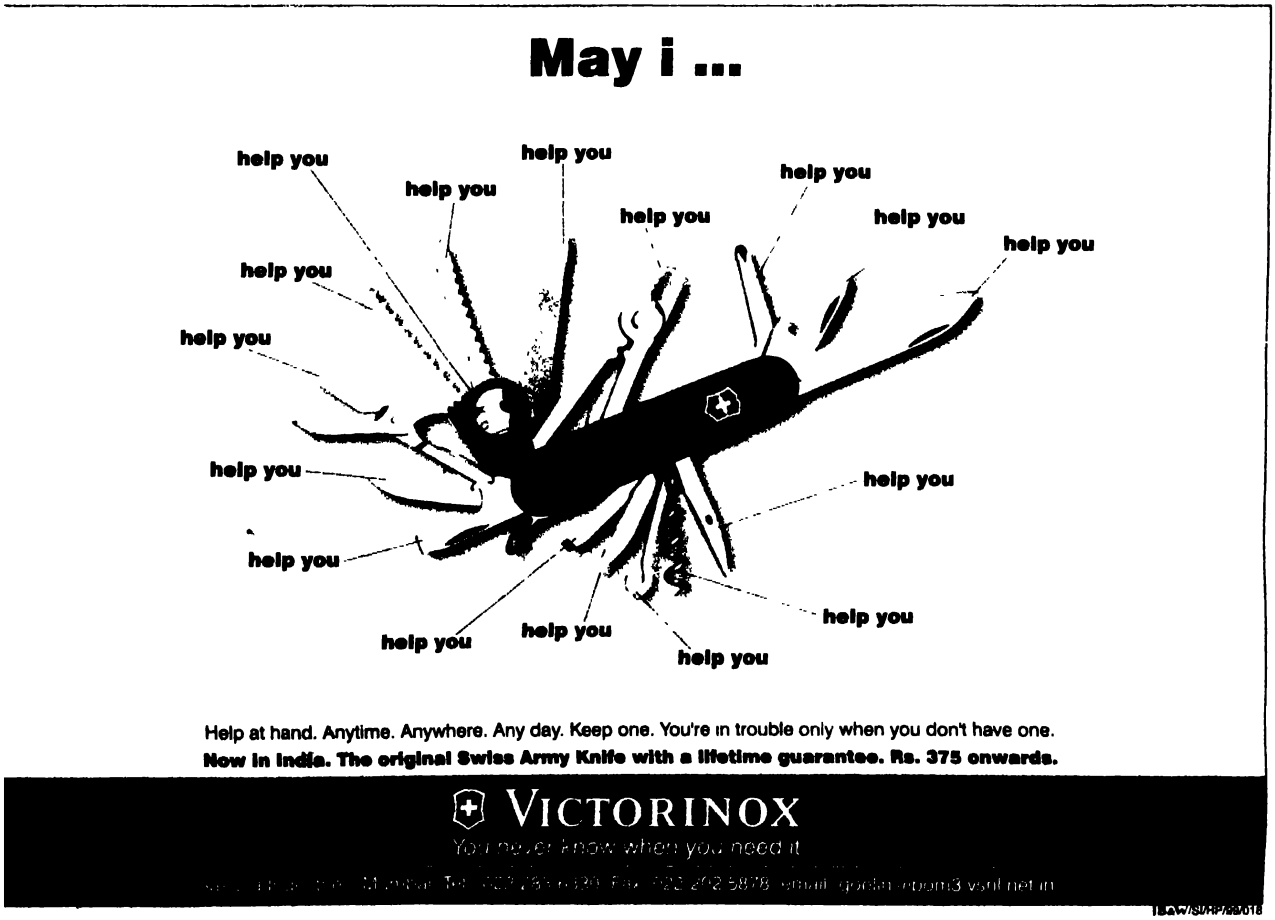
The state is geographically divided into south (Jharkhand/Vananchal) and north. While the 14 seats in the



south are poised for a direct fight between the Congress and the BJP, the 40 seats in the north are being fought amongst alliances. Opinion polls expect the BJP to sweep the southern part with its stand on statehood for Jharkhand. In the north also, riding on an anti-incumbency wave, the BJP-JD(U) combine is expected to fare better than last time, increasing its tally at the cost of both Congress and RJD. The Left parties may eat into the votes of the Congress-RJD alliance, thus helping the saffron brigade indirectly.

Karnataka: The state has seen a lot of pre-election realignment of forces. Unlike the triangular contest witnessed during the last elections between the Congress, the JD and the BJP-Lok Shakti (LS) alliance, this time the Dal has split with the faction led by chief minister J.H. Patel merging with LS to form JD(U). The leftover JD, led by former PM Deve Gowda, is a spent force. The contest, thus, seems to be more or less polarised between the Congress and the BJP alliance. The high-profile Bellary seat, where BJP's Sushma Swaraj is taking on Congress president Sonia Gandhi, is one of the 19 seats from where BJP is contesting. Nine seats have been left for JD(U).

In the last elections, the BJP won 13 of the 18 seats it contested with 26.95 per cent of votes, while the Congress


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got nine of the 28 contested with 36.22 per cent. LS got three seats with 10.11 per cent votes, while the JD also won three seats with 21.69 per cent votes. This time, opinion polls say, JD votes will be divided between the Congress and the BJP with Deve Gowda influencing the voting pattern only in his own constituency. The Congress and the BJP will be engaged in a photo finish scenario. The two forces are also set for a keen battle in the assembly elections to be held simultaneously with the Lok Sabha polls.

Maharashtra: When other states are seen to be bi-polarising towards the Congress and the BJP, Maharashtra is going the other way with the Sharad-Pawar led Nationalist Congress Party (NCP) breaking away from the Congress to make the fight triangular. Last time, Pawar was instrumental in taking on the Shiv Sena (SS)-BJP alliance having consolidated anti-saffron votes by roping in smaller parties like SP and RPI to ally with the Congress.

In the last general elections, the Congress got 33 of the 41 seats it contested, leaving eight for its smaller allies. The BJP and SS got only four and six seats respectively, the remaining four going to RPI. While the Congress got 43.64 per cent of the votes polled, the BJP and SS got 22.49 and 19.66 per cent, respectively. However, this time, Pawar and his alliance with the SP and one faction of the RPI seem to be formidable enough to topple the Congress apple cart by eating into its votes.

Fast-changing equations in the state have put opinion pollsters in a cautious state. Most of the opinion polls, however, predict significant gains for the BJP-SS combine, thereby putting it ahead of Pawar with the Congress relegated to the third position with its presence felt mostly in and around Mumbai. In the assembly elections to be held simultaneously, the SS-BJP combine appears to be at a little disadvantage compared to Pawar. A hung assembly is predicted with NCP as the single largest party.

Tamil Nadu: This is one state that has seen high political drama both at the state and the national level. First, the ever unpredictable AIADMK supremo



Jayalalitha snapped her party's ties with its earlier partner BJP, thus toppling the Vajpayee government at the Centre. Then she went on to strike an alliance with the Congress, giving the boot to Janata Party leader Subramaniam Swamy. The formidable DMK-TMC alliance has also broken up with M. Karunanidhi opting to go with BJP along with MDMK, PMK and TRC. G.K. Moopanar is going it alone, staying equidistant from both the Congress and the BJP in a hope to revive the Third Front.

Opinion polls have painted different pictures (all opinion polls for Tamil Nadu during the last elections went awfully wrong) with the last poll percentages carrying no significance on account of a complete shift in the political alignments.

A look at the last results show 4.78 per cent votes for Congress with no seats, 6.86 per cent for BJP getting three seats out of the five contested, AIADMK 25.89 per cent for 18 (22), DMK 20.08 per cent for five (17) and TMC cornering 20.19 per cent for three seats out of the 20 contested. However, this time, the battle lines have been drawn between the AIADMK-Congress and DMK-BJP-MDMK-PMK-TRC alliances, perhaps making it an evenly-balanced fight, provided Jayalalitha does not let the Congress down.

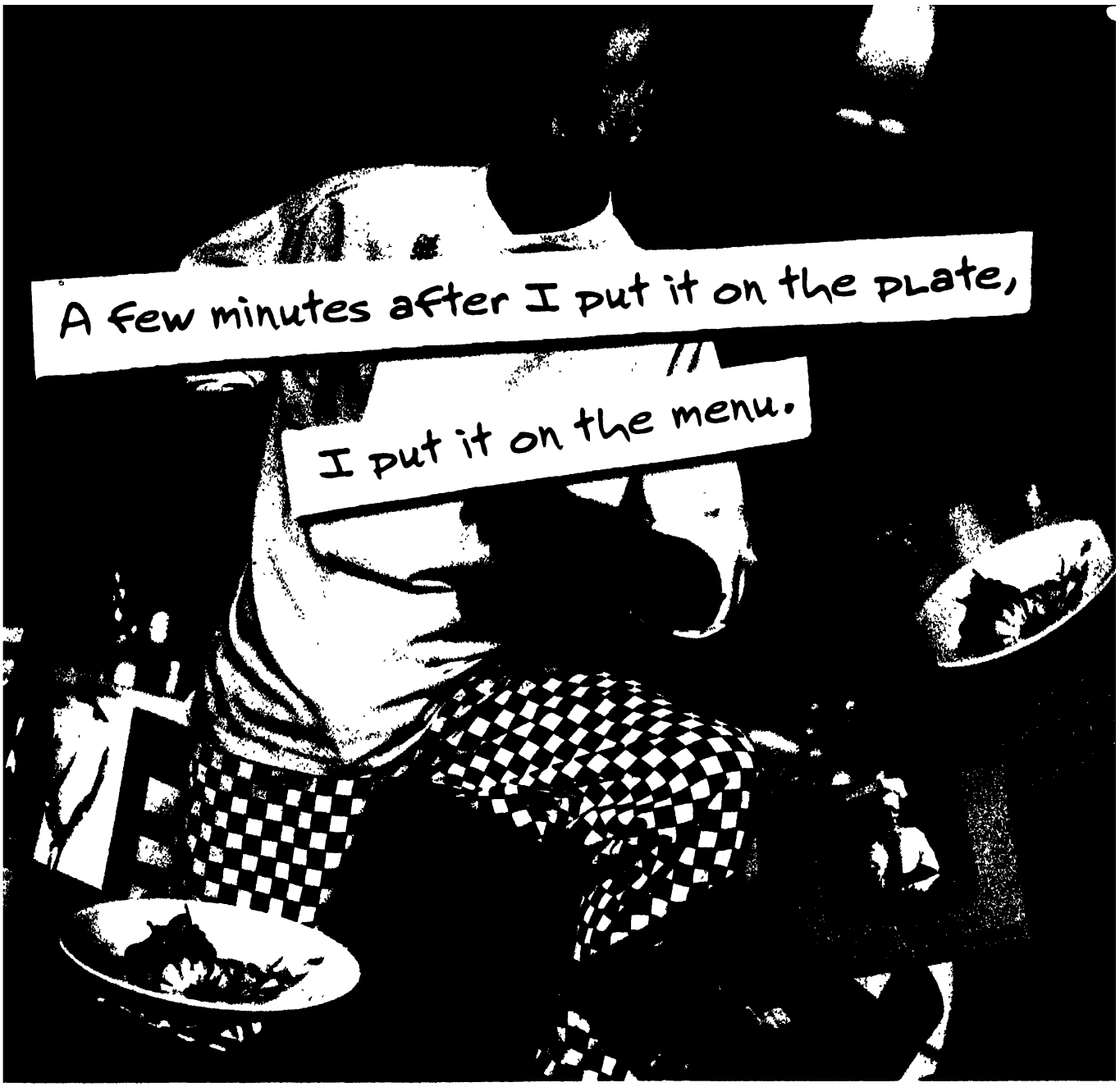
Orissa: The political alliances in the state remain more or less similar to last time. But the Congress-ruled state saw a change of head with tribal leader Giridhar Gomang taking over as chief minister from Janaki Ballabh Patnaik. This has completely transformed the political equation in the state. Even in the last elections, the Congress managed to get only five of the 21 seats with 41.04 per cent of votes, while the BJP cornered 21.19 per cent of the votes. Opinion polls predict a complete drubbing of the Congress by the BJP-Biju Janata Dal alliance. There is also a strong anti-incumbency factor in the state.

Punjab: This is one state where the Congress appears to be on the top, with BJP ally Akali Dal having split right down the middle. The breakaway Tohra faction of the Akali Dal has decided to go with the BSP, another formidable force in Punjab, thereby making the contest triangular in favour of the Congress. In the last elections, the Congress had drawn a blank with 25.85 per cent of votes, while the Akali Dal and the BJP won three and eight seats. According to opinion polls, an anti-incumbency wave and a split in the Akali votes will put the Congress in a stronger position both in terms of seats as well as an increase in its share of votes. In fact, the Akali-BJP is seen conceding more than half of the seats it won last time.

West Bengal: In the last elections, Mamata Banerjee broke away from the Congress to form the Trinamool Congress (TC) and allied with the BJP to fight both the Left and the Congress. The Congress bagged one seat with 15.20 per cent of votes, the Left got 33 seats with 46.83 per cent, the BJP got one seat with 10.20 per cent and the TC got seven seats cornering 21.58 per cent of votes. This time, the Congress has completely withered away, thereby strengthening the TC vote bank a bit further.

Opinion polls predict a slight gain for TC-BJP alliance at the cost of the Congress. As a result, the Left may have to concede around five seats to the TC-BJP alliance, making them a strong opposition that will replace the Congress.

◆ MANOJ NARULA



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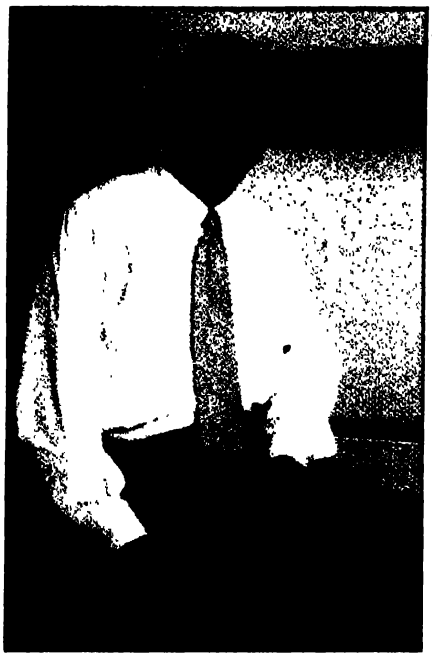
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Come September!

The second tranche of Bank of England's gold auction on 21 September is likely to impact global gold prices, but the domestic market may remain largely unaffected



SANJAY BORADE

Machado sees a 5 per cent increase in gold demand this year

Gold investors, traders and analysts are waiting expectantly for 21 September when the Bank of England auctions the second tranche of 25 tonnes of the yellow metal. The first auction on 6 July sent shock waves in the gold community across the globe, with the prices tumbling. But as Ramesh Ganesan, head-trade and commodity finance, India, ABN AMRO, says, "The daily price movement of gold is not dictated by the physical demand alone. The futures/options market in New York — Comex — too has a significant bearing on the price. For instance, after hitting a 20-year low last week ($252.20 per troy ounce), the price has steadied to $254 on 31 August. The reason is that gigantic US funds play the market, buying and selling, seeking arbitrage opportunities."

It was on 7 May this year that the UK Treasury decided to hawk 415 tonnes out of its 715-tonne reserve, sending everyone into a tizzy. The immediate action plan was to sell 125 tonnes at public auctions by March 2000. The time-frame being 25 tonnes each in July, September, November, January and March. The reaction was nothing short of 'code blue' to say the least. Between the announcement and the first auction, the price crashed by $26 per troy ounce. On the auction day, the price was $261.2, but subsequently it dropped to the 252/253 levels. The ramifications were felt in the Indian market as well (see chart). Since then, however, the market has stabilised as the knee jerk reaction has been discounted.

While half year demand for gold in India is down by 10 per cent (414.4 tonnes), year on year, World Gold Council's financial institutions manager Derrick Machado reckons that this is not a true indicator for the first quarter of 1998 saw a phenomenal surge in offtake due to the gold liberalisation policy announcement in October 1997. Probably due to this, last year saw record levels being touched — imports were pegged at 614 tonnes while demand reached dizzying heights of 815 tonnes.

Machado remains bullish. "I expect a 5 per cent improvement in demand this year. The second quarter has seen strong demand (218.4 tonnes, 6 per cent higher than 1998) as the price is elastic and I think larger volumes should be purchased with the advent of the festival season." The only hitch would be the fact that with the monsoon being a trifle indifferent this year, agricultural incomes which have helped ramp up demand lately will be on the poorer side. Consumption patterns reveal that 70 per cent is purchased in semi-urban and rural areas while only 30 per cent of the offtake is in urban belts. Moreover, 45-50 per cent of the total offtake is in southern India.

Global price movements have not had a major influence on demand locally. This is because the fall in the dollar price of gold was partly offset by a small rise in the Indian premium over international prices following the increase in import duties earlier in 1999. The custom levy was jacked up from Rs250 per 10 gms to Rs400 in order to restrict the extraordinarily high level of gold imports. Machado says that 25 tonnes is not large enough to impact global markets for long, "after all the daily paper turnover in the London Bullion Exchange is 1,000 tonnes."

ABN AMRO, which is one of the nominated banks for the import of bullion as part of the gold liberalisation scheme, monitors gold trends on a daily basis. Ganesan says, "The Bank of England auction coupled with the overhanging International Monetary Fund statement that it too would be

Highest		Lowest		Average	
4,400	4,410	4,225	4,225	4,345	4,350
4,375	4,380	4,340	4,355	4,335	4,355
4,395	4,400	4,230	4,235	4,330	4,330
4,440	4,440	4,335	4,330	4,390	4,390
4,470	4,460	4,230	4,220	4,320	4,315
4,210	4,200	4,060	4,050	4,106	4,109
4,150	4,150	4,000	3,995	4,055	4,050

Ophics

% change	-9.7%	526.5	200.8	156.8	124.2	131.9	613.7	130.9	168.4	299.3

The difference between official imports and overall demand is met by other imports and recycled scrap gold

selling 110 tonnes of its gold reserves resulted in a depressed market. But since then sanity has prevailed. The US Congress and the Federal Reserve have ensured that the IMF does not entertain such ideas and central bankers the world over with close to 30,000 tonnes of gold reserves have realised that any such sale would be foolhardy as it would lead to a precipitous fall in the price of gold. This has meant the return of stability, but with the impending auction on 21 September, the trend remains bearish."

It is looking increasingly unlikely that the US Congress will authorise the casting of the US vote at the IMF (17 per cent veto is with the US) in favour of gold sales, which would effectively veto the proposal because of the Fund's weighted voting structure. In fact, both the Clinton administration and the IMF have indicated that they are now examining ways of using the IMF's gold for debt relief without actually selling in the market.

Globally, investors in the yellow metal have lost money in the immediate past. Consider this! From a high of $430 per troy ounce a decade ago, gold prices are down to $254 levels. Meanwhile in India, gold prices have bucked the downward trend. Ganesan claims that the societal affinity for gold remains the locomotive and consumption patterns reveal that gold gives good value in India. He says, "Maybe it is not the right time to buy gold presently, but at every dip, gold presents a good opportunity. The figure of $250 is the major resistance level which if breached on 21 September will determine the next course of action. However, the exchange rate — dollar vis-a-vis rupee — will be the key determining factor for the gold price in India." But the psyche of a gold buyer in India is that he buys irrespective of the state of the market, for if it is falling an opportunity is preceived and if it is rising, he wants to get into the escalator.

Which means that the yellow metal



UMESH GOSWAMI

Ganesan believes societal affinity for gold will not diminish

as a long term investment option retains its sheen and lustre. Ganesan maintains that the situation will remain bearish in the medium term, till the demand and supply equation stabilises. Pertinently the cost of production of gold is in the vicinity of $207 per troy ounce and as the international price of gold slips down to make its tryst with that level, the entire concept of mining gold will become unviable and as such the worst case scenario is that mines could shut down. But this is highly unlikely, for as Machado says, "There can be no perceptible shift in the supply-demand situation for a gap of 800-900 tonnes persists. Global demand is approximately 3,300 tonnes while the gold mined is 2,400 tonnes. The gap is substantial, so there should be no alarms of over supply."

Machado remains optimistic about the future, guided as he is by the basic Indian premise that gold is an 'asset of last resort'. Says he, "Two years back, we went through a curve, in India everybody wants to catch the bottom or when the curve turns. The same situation has arisen once again. With the wedding and festival season on the anvil, I expect a surge to come through which will cover the deficit adequately." Helping this is a refurbished gold import policy which allows four official windows — NRIs can bring in 10 kg of gold every six months by paying customs duty of Rs400 per 10 gms in foreign currency, holders of special import licences under the Exim Policy are entitled to import, exporters in Export Processing Zones are entitled to import gold free of custom duty and effective 16 October, 1997, nine commercial banks and three government trading houses are permitted to import gold.

All this has supposedly resulted in numerous benefits:

- premiums over international price have declined from 17 to 8 per cent
- parallel imports have slowed down from 106 tonnes in 1996 to 92 tonnes in 1997
- *hawala* premiums on the dollar have reduced from 10 to 5 per cent

Unfortunately this entire game plan could be bushwhacked by the Bank of England auction programme which can cast a very long shadow over the market every two months, providing speculators with a recurring focus for positioning on the downside. If the present formula is followed in letter and spirit, then this programme can last 33 months and the gold market can stay depressed through this period. So, come 21 September, the pressure on the international price will once again get intense. Whether it will impact the domestic market adversely is a matter of conjecture.

•SANDEEP BAMZAI

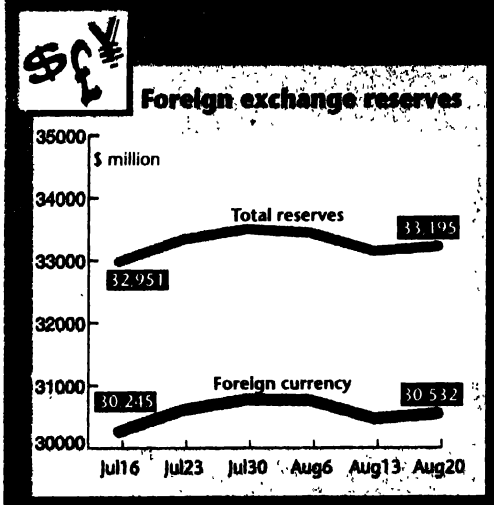
International gold market 1999 Figures in $

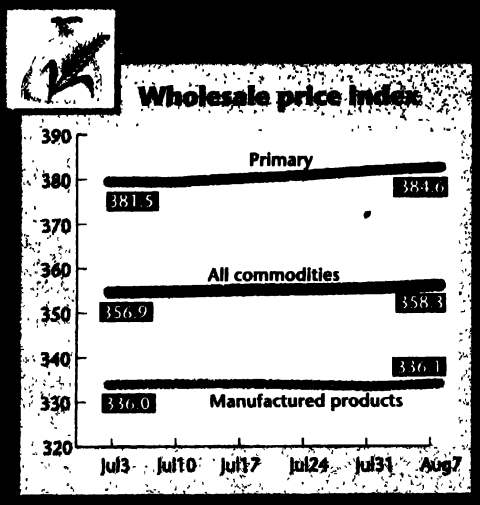
	Highest		Lowest		Average	
	London	New York	London	New York	London	New York
	Per troy ounce					
Jan	291.15	292.80	283.55	283.40	287.10	287.50
Feb	289.40	290.20	285.30	285.90	287.30	288.70
Mar	294.00	294.70	279.45	279.20	286.00	286.00
Apr	286.60	286.80	278.50	278.30	282.60	282.70
May	287.95	289.70	268.60	269.40	276.70	277.00
Jun	267.15	268.20	258.70	259.30	261.30	262.20
Jul	263.10	264.10	252.80	253.70	256.10	256.90

Source: World Gold Council

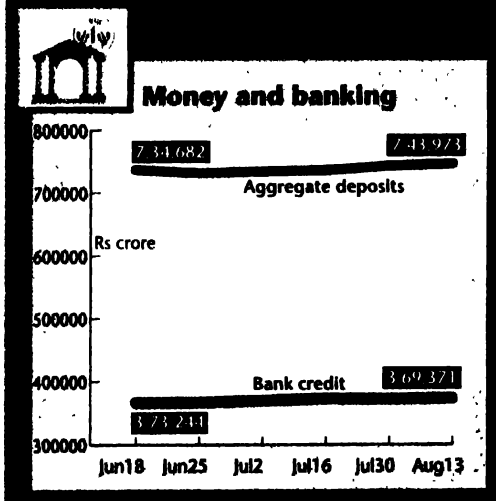
Changing fortunes

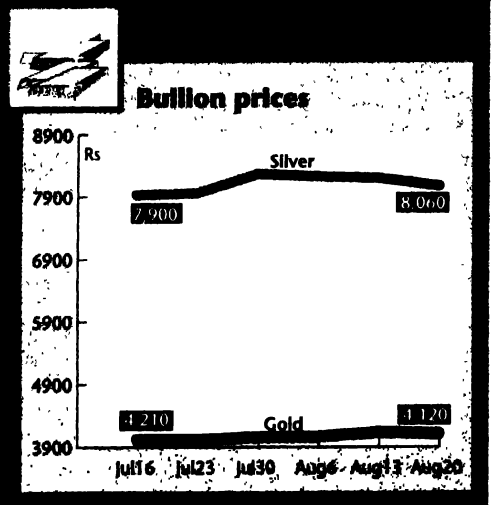
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Resources raised from capital markets - Distribution by issue type

Rs crore

	Total Floatations	Domestic Floatations	Public	Rights	RPL	Overseas Floatations
Jul 98	3884.25	3884.25	1964.37	65.93	1853.95	0.00
Aug 98	19547.94	1747.94	582.87	30.31	1134.76	17800.00
Sep 98	5383.36	5383.36	2616.39	61.55	2705.42	0.00
Oct 98	1506.51	1506.51	484.14	9.84	1012.53	0.00
Nov 98	2905.3	2905.30	1062.00	0.00	1843.30	0.00
Dec 98	4548039	4548.39	2240.53	178.49	2129.37	0.00
Jan 99	2508.08	2508.08	516.02	40.80	1951.26	0.00
Feb 99	4342.52	4372.52	1659.52	33.80	2679.20	0.00
Mar 99	5964.96	5668.10	638.20	77.25	4952.65	296.86
Apr 99	3403.11	3403.11	2700.00	90.18	612.93	0.00
May 99	3922.26	3977.26	838.32	0.00	3138.94	0.00
Jun 99	3557.32	3557.32	280.54	90.60	3186.18	0.00
Jul 99	4786.98	4554.98	1064.16	288.16	3202.66	232.00

* FRN raised by Power Finance Corp. in overseas market

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What appeared to be merely a canny business opportunity at first glance has developed into an enterprise of breathtaking scope and dimension

ning knowledge

Visionary Rajendra S. Pawar, backed by a team of dedicated disciples and the continuing support of infotech entrepreneur Shiv Nadar, has acted enterprisingly with NIIT Ltd, the first purely human-asset-based company ever to be included in the august BSE Sensitive Index.

Today NIIT is definitely moving out of the kiddies' league. It has expanded out of its training niche into education, and turned its in-house software production into a global business. More importantly, all this has been done with a continuous and stern eye on operating profits, yet the company has not skimped on research and development. Even more remarkably, it has found the spare cash to invest in basic research, something few of its counterparts in Indian industry have ever done, and certainly none in the field of information technology have done so to any substantial extent.

Now NIIT is poised to establish itself in a far wider sphere, unleashing its internally accrued $100-million war chest on a series of acquisitions abroad during the next few months. This will consolidate its leadership position as the first commercial enterprise that has exhaustively researched and applied technology to the business of imparting knowledge.

"Moving up the value chain is everyone's *mantra* these days," says Rajendra (Raji) S. Pawar, vice-chairman and founder of NIIT Ltd, the company he started with seed capital from then boss Shiv Nadar way back in 1981. "For NIIT, moving up the value chain has been a way of life ever since we started."

Pawar and Vijay K. Thadani (now president and chief executive officer), employees No 1 and No 2 respectively of what has grown today into a diversified Rs648-crore company (as per last year's closing, September 1998), started operations in Nariman Point, Bombay (now Mumbai) in February 1982, at the company's first training centre. By April that year they had signed up 99 students for the very first computer courses conducted in India by a vendor-independent private agency.

Reliving those tense times, Thadani remembers NIIT's very first customer. "We announced an unconditional offer that signees could complete their course whenever they wanted. Our first customer was a shippie [merchant seaman] who had to take off even before the course began and never came back. We managed to trace him to Chandigarh once, but could not contact him. Wherever he is today, he is still welcome to complete our course!"

It is precisely that credibility and willingness to stand behind the company's commitments that has taken them far beyond the simple concept of a company running computer training courses to an enterprise that is seeking to understand and implement the concept of knowledge across the gamut of information-technology-led human activity.

Clearly, from the sheer business point of view, it has been a successful gambit. The company's revenues have already grown 35 per cent on an annualised basis this year, with the turnover for the first nine months already at Rs633 crore. Net profits have crossed 44 per cent to just under Rs89.5 crore for the first nine months, giving an indication of substantially more addition to reserves, which already stand at Rs260 crore. The equity base of the company expanded by 50 per cent this year to Rs38.65 crore following a bonus issue, so dividends could probably hold fairly steady without affecting capital accretion in the reserves account. Just about half the revenue comes from overseas, taking NIIT to the position of 4th largest IT company in the country.

From the point of view of professional management, the reduction in interest costs is one of the most crucial factors. The figure, an astonishingly low Rs2.1 crore for the first nine months, has actually reduced, while sales (revenue from operations) grew by 13 per cent to cross Rs150 crore. While revenues will show a seasonal increase during the last quarter as borne out by the impact of the third quarter on annual sales (year on year for the past year), overall the usage of money is clearly being handled very well.

Credibility has been a key issue for the company right from its fledgling days. In the beginning it had to contend with the fact that the only private courses were tutorials run by college teachers in their spare time, some of which had grown into fairly noticeable, but not necessarily respectable, enterprises.

Today, with universities reaching out to accept collaboration with the private sector in order to ensure professional-quality computer education on campus, the emphasis must lie on leadership in effective knowledge transfer. "Knowledge is the issue," Pawar points out. "It is the only thing that a person can give away without loss, only gain for both the giver and the given."

"To understand where we are reaching, you must stop looking only at the computer courses where we started, and where we still play a critical role. Our efforts to build quality into our teaching skills have led us far beyond value-chain concepts to cutting-edge research into cognitive systems on the one hand, and into pure e-commerce technology and deployment skills on the other. This enables us to create and constantly improve learning technologies that can be deployed anywhere, using multimedia, and then to actually deploy them, through our initiatives on the Net and on the ground, through our offices in 17 countries across the world," explains Pawar.



Nadar (l) has consistently supported the niit team led by Thadani

The cognitive approach

According to the *Oxford Dictionary*, cognitive ('kognitiv/*adj*) means of or relating to the action or process of acquiring knowledge, by reasoning or by intuition or through the senses.

"In the very early days," recalls managing director P. Rajendran, "we started developing standardised teaching modules using commercial authoring tools. However, when these were applied in the field, different course conductors would add variants, drawing on their personal understanding or ability to explain the content."



SANJAY BORADE

For Rajendran, curricular evolution is the key

Very quickly, matters would get out of hand, with courseware rapidly losing its reproducibility in different centres. The problem was clearly that intuition was being allowed to overtake reason in the process of transferring information. Instead of improving methods of helping students to acquire knowledge, the process was getting unmeasurable and therefore unreliable.

Former banker K.K. Bhardwaj, who today heads the STRIDE (strategic initiatives in deployment of education) group at Synergy, NIIT's spanking new research and development facility at IIT Delhi (which also happens to be the *alma mater* of at least three top NIIT directors – Pawar, Thadani, and Rajendran – as also R&D chief Sugata Mitra and Bhardwaj himself), saw the weaknesses of the commercially available authoring tools. He pioneered the initiatives that led to the development of in-house authoring tools. Today these are used to create startlingly better ways of helping students solve real-life problems rather than merely discovering the complexities of new knowledge.

In the case of Microsoft's WindowsNT, the five-day systems management course has been reduced to just four days, dropping to 80 per cent in terms of time. But time to train is not the most critical improvement, although it does reduce the total cost to client organisations. Computer Associates, the US-based $4.7 software agglomerate, has an enterprise management software Unicenter TNG, which is used to track the real-time status of the enterprise's computer systems, down to the actual software and hardware installed on individual desktops.

This can be remotely installed and configured, with diagnostics that allow a centrally located system manager to administer the entire system, even when it is made up of completely different vendor products, such as personal computer hardware and software, Unix boxes, mainframes, network components, and so on. Properly used, large enterprises can save crores in staffing costs and time to recover from stoppages. Competitive software systems include Tivoli from IBM.

However, system managers need to

be able to very quickly take decisions based on the information thrown up by the Unicenter TNG console. When NIIT explored the CA training system, it found that the courseware could be redesigned effectively, not only reducing the time and cost of training but also improving the ability of system managers, the trainees, to take good decisions quickly. This is because the courseware creates a real-life environment for implementing a Unicenter TNG solution.

Using the internally engineered model-centred learning architecture (MCLA), NIIT stores the content as objects, builds a standardised layer of middleware (format- and platform-independent) templates, and can therefore instantly generate or update output designed for any medium, be it print, multimedia, or the Web. The beauty of this methodology is that knowledge experts can control the process, instead of depending on arms-length software specialists.

Treating the content as objects means that the databases can be updated whenever need arises, and the courseware that draws on that content will automatically and necessarily reflect the very latest version. With the middle layer, which is platform- and format-independent, containing the templates, designing and implementing forms to suit local tastes can be done entirely without affecting the quality of the content itself. Finally, with the middle layer incorporating the necessary hooks to drive any form of output, it ceases to matter whether the system is needed in print, multimedia, or the Internet, since it will contain the correct content allied with a well-designed form factor.

"We regularly conduct customer satisfaction surveys, both for users and for their system supervisors to determine that we are imparting the problem-solving ethos effectively," Bhardwaj points out. A very long time back, NIIT found that average students were being sent into industry without an essential ingredient of their makeover — the ability to take effective decisions on their own, rather than wait for orders. This has triggered a constant search for ways and means



VIVAN

Bhardwaj pioneered the initiatives that led to the development of in-house authoring tools

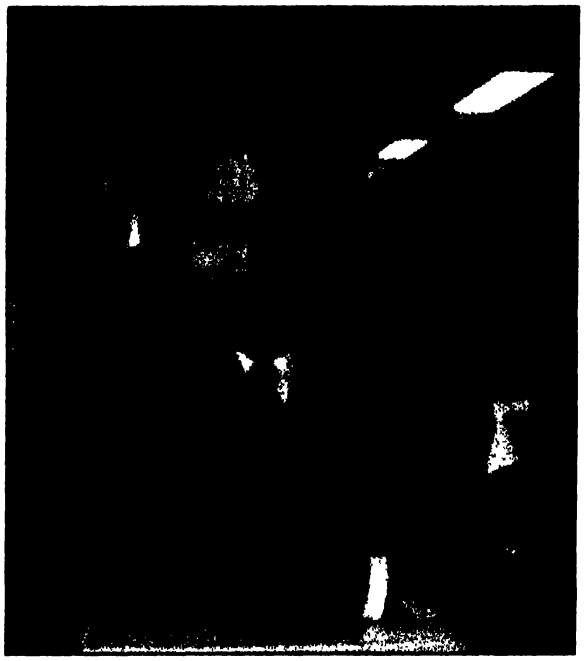
to encourage students to take charge of their knowledge accrual process.

P. Rajendran recalls the evolution of curricula at NIIT from 1982, when the first course was designed, to 1986, when instructional design was consciously incorporated. The process of improving content transfer continued, so that in 1989 the integrated higher education curriculum was introduced. This was followed by a seminal change in concept in 1992, branded as Future Focus, where non-computer classrooms were deliberately added in order to expose students to emerging computing concepts over and above the technologies being studied. For the first time, courseware also included guaranteed exposure to industry through an internship. The industry collaboration programme, administered by S.N. Uma, has expanded NIIT's own relationships in industry to the point where 1,200 companies (300 are software exporters) accept NIIT students during their internships. Specialists in every branch nurture these relationships.

In 1995 the curriculum again expanded towards the global market. The global net program was designed to encourage students to prepare to work in any environment, strengthening their self-confidence to take responsibility. This year the curriculum has undergone another revamp. The Web-centric curriculum comprises four semesters – Web programming, object-orientation, visual code development, and Web application development – of 28 weeks each. Professional certifications for the successful students include Java, Microsoft Visual Basic, Microsoft professional architecture solution design, and (for those who have cleared all the Microsoft certifications), the umbrella Microsoft-certified solution developer (MCSD). The complete GNIIT programme also includes a year in professional practice. These programmes have been standardised and stabilised effectively across the globe and through the use of different media, including the Internet, mainly because of the company's proprietary MCLA. This multiplies the productivity of the set of best practices developed within the company as it is being deployed outside.

Hardly soft

For a company like NIIT, its investment in R&D and software development is an integral part of its ability to grow in its apparent sphere of education. In fact, a glance at the last four years shows that software has gradually grown its share of total revenues, to over 40 per cent now. The company has become the world's largest vendor of multimedia titles, introducing over 100 new titles every year.



VIVAN

NIIT's software has evolved with the changes in the industry in general, says Thakur

It plans to introduce a stunning range of software solutions aimed at the Web developer's market. The first product, EasyPay, was developed as part of a contract for CheckFree, one of the world's largest electronic bill presentment companies, and commercially launched at the end of June at the Biller's '99 Conference at San Diego in the US.

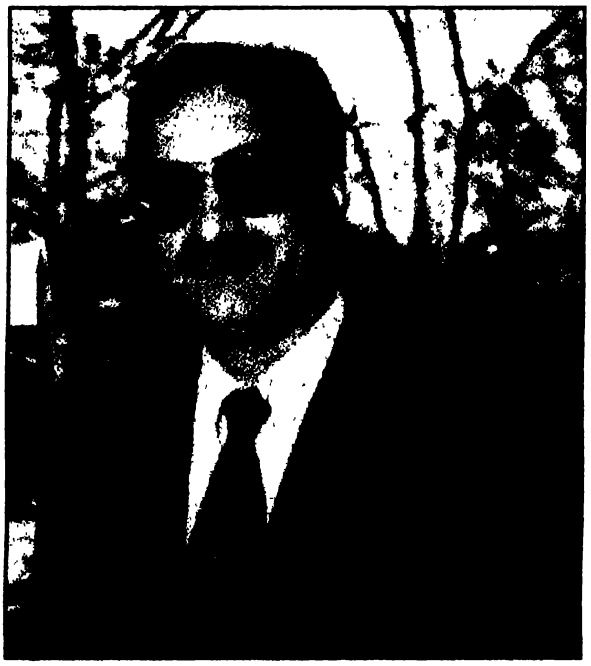
"Our evolution in software design has grown with the changes taking place in the software industry in general," feels Arvind Thakur, director and president of the software business group. "In the 1970s, the emphasis was on automating the back office. With the introduction of distributed computing in the 1980s, software moved towards automation of the front office. Products in this area are at a fairly mature level today, but an entirely new paradigm in the world of computing is the introduction and development of the World Wide Web, both as a medium and as a delivery mechanism. E-commerce is our response to this phenomenon."

Thakur, who set up NIIT's software business in Chennai (Madras at the time) in the 1980s and has seen the company's growth in software services mushroom to nearly equal its education business, now lives in Delhi. Pawar explains that at some point it was necessary for the top team to be together in the same place, which is why Thadani also moved to Delhi from Mumbai. Today the company has grown to a point where geography is no longer a bound. Gopal Chakravarti, heading the European business group, lives in London. Thadani, who also leads the finance function and who is focusing on the company's next foray, growth through acquisition, has just moved to the company's US headquarters at Atlanta, Georgia.

"For us the solutions business has migrated vertically in 12 years, up from the plain vanilla software business," senior vice-president Shrikant Inamdar, head of software development, comments. "This has contributed to our physical presence in 21 countries, which can expand to 26 easily, with business developed in 31 countries today." NIIT has changed its focus over the years, from services (projects and manpower support) to solutions and products. The target for both is the burgeoning e-commerce market, not just for third parties but for NIIT itself.

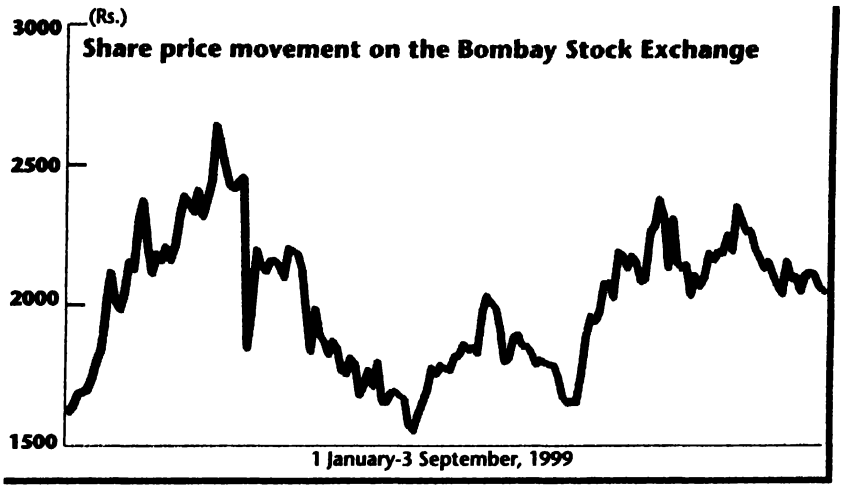
"The critical quality factors in software development are defect levels and cycle times," explains Thakur. The company, which achieved the SEI-CMM Level 3 (the Software Engineering Institute, part of Carnegie Mellon University in the US, has developed a Capability Maturity Model for software code development) in 1994, moved up to Level 4 in 1997, and has its sights set on attaining the highest Level 5 by December this year. Every NIIT-ian carries a signed certificate of intent from vice-chairman Pawar in their filofaxes to this effect. SEI-CMM-5 takes care of the company's ability to reduce defect levels, which are eliminated in the process of development itself, hence do not load the company with incremental costs of checking and fixing bad code.

While software defect level reduction is important, it is achieved by improving development processes. Cycle time reduction is more interesting really for the future, because NIIT has made great strides in this area by creating software tools that actually make it possible to write good software much faster and more accurately. "I have never seen anything like the concepts that NIIT has actualised," avows Inamdar, who moved just six months back from Motorola. He was responsible for setting up that company's software centre in Bangalore, which follows Motorola's 6-Sigma quality procedure, and spent a lot of time and effort benchmarking software development systems around the world. Pawar persuaded him to return to India after he moved to Australia last year. "NIIT has perfected the capture of knowledge from historical data, using this to generate optimal code to develop entirely new



Inamdar: "Never seen anything like it!"

The market view



Five years back nobody would have imagined that NIIT would be a part of the Sensex, the country's stockmarket barometer. But a year back this is precisely what happened. Here is a company operating in an industry whose growth prospects, according to the pundits, are immense. This, coupled with the fact that NIIT is a growing company, has helped its share price move up exponentially. At the start of 1997 the stock was changing hands at Rs263 on the Bombay Stock Exchange. By August the same year it had touched Rs500, then doubled in April 1998, and in the current year again doubled at around mid-January. In other words, the share's value has doubled thrice in less than three years and is currently traded at Rs2,055 after bonus. Of late the stock appears to be showing signs of weariness. At present the price–earnings multiple based on annualised earnings of fiscal 1998–99 is around 66. Is it overpriced?

Rasesh Maniar, chief dealer at NSE broking house Mukesh Babu Securities, says: "NIIT still has the potential to appreciate by another 30 per cent within six months to a year depending on market conditions." This means that NIIT should settle around Rs2,700. Some brokers are even more bullish — they believe it should range between Rs3,000 and Rs3,500 before the end of this calendar year. NIIT's valuation is similar to that of Satyam, well above the likes of Tata Infotech, Aptech, and Pentafour Software but well below the reigning king of IT stocks, Infosys.

Maniar disapproves of such comparison. He says, "NIIT cannot be compared with Aptech, Infosys, Satyam, or Pentafour." The reason is that this company is not a pure training company any longer but is clearly positioned in software products and services. Its global presence provides a strong network for marketing. This in itself is a clear differentiator from other Indian quoted companies.

Be that as it may, NIIT now has to bring out results which should catapult it in the league of Infosys or else it will always be called the poor man's Infosys. The latter, even after a one-to-one bonus, is traded at around Rs5,500, while NIIT's price is less than half that. And, mind you, after a bonus with a ratio (one share for every two shares) that by no means can be considered liberal.

♦ KRISHNA KUMAR C N

applications. I can personally vouch that the code generated by the NIIT solution is extremely optimal."

NIIT has developed some nine-odd tools which Inamdar is planning to commercialise, but this may not happen till the applications product launch takes place. Aside from NIIT EasyPay, the bill presentation solution, which also has a server solution called NIIT EasyPay Server, products ready for release include electronic storefront EasyMart, e-commerce development framework EasyCommerce, interactive voice response system EasyVoice, and electronic service delivery solution EasyService. The brand finalisation exercise will be legally complete shortly.

The development tools, which are likely to create a stir in the software industry when they are made commercially available, include the software engineering tool set (SETS) and a test case generator (TECGEN), which automatically simulates an environment for testing the code. There is Promon, a project monitor (which can be deployed both as client/server and Web-centric models), RRS, a remote review system that allows both peer and expert review of projects, NetCare, a Web-based tool that enables customers to stay in touch with project execution teams, and VSCE, a virtual software construction exchange, using which software teams can work together across geographical and temporal boundaries. Other tools include TTS, a time-tracking solution, RMS for resource management, and SPD, a process database.

SETS, TECGEN, and similar tools allow customers and project partners to work together remotely from start to finish of the project. This should result in a considerable improvement in the quality of projects being executed in the software industry if the company does decide to make them commercially available. The other set of tools manages product development, forming the conceptual framework within which the model-centred learning architecture has grown. But the company intends to continue setting itself goals for business growth through process improvements in the development business.

"We have set realistic but hard targets for ourselves," says Inamdar, "which include building six centres of excellence employing near to a 1,000 developers each, ensuring 30 per cent code reuse and achieving project cycle times not exceeding three months."

Core competence

"We are learning to make the transformation from data to information and finally to knowledge happen," says professor J.R. Isaac, former head of IT at IIT Bombay, who is today an advisor to NIIT at Synergy. His job has been to chart the essence of cognition, helping NIIT to understand the learning process so that the data transfer at the core of a session can be contextually



Isaac says NIIT's focus is on making information skills available vertically across enterprises

received as information and processed into knowledge with the minimum of disruption and loss. This efficiency gain, deployed across diverse topics, will achieve enormous effectiveness, which could lead to exponential gain for NIIT. Importantly, this efficiency will transcend the present focus on computer-oriented subjects, the process that began when NIIT started NIS, its sales and marketing training group, now spun off as a separate venture.

"In responding to the change inherent in the shift from the industrial age to the age of information, our focus is on making information skills available vertically across the enterprise, to top management, middle management, and workers, unlike the old paradigm where only top management held the keys to information," says Isaac. While efficiency in helping people to understand data as information is relatively well-known and is in fact the basis of traditional education models, the final conversion to knowledge is not, and this has placed NIIT in a premier position among software companies worldwide. NIIT undertakes basic research in education, with scientific papers published in fora as far apart as the Institute of Electrical and Electronic Engineers (IEEE) and Educational Technology Research and Development (ETR&D).

According to R&D chief Sugata Mitra, who spearheaded the shift in focus from applied technology to basic research, "The successful use of the Internet ensures that cognitive systems will happen. Therefore, in order to continue to lead, it is essential that we know what these things actually are."

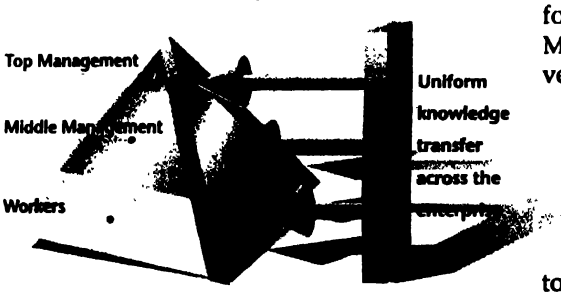
One such effort was a self-learning FAQ (frequently asked questions) compiler that searches for answers to queries by itself from the Website database. It began to be populated with a few responses created by Mitra himself. Inevitably, his fellow researchers, who had access to the trial version, commented that the engine displayed Mitra's 'character'. He then allowed others to create responses, and notes that since some time has passed, the engine now has a personality of its own. It has, in effect, become a self-actualising cognitive system.

Another approach tried by Mitra was the 'Hole in the Wall' experiment. This was carried out at NIIT's Kalkaji (in Delhi) headquarters, which abuts a low-income area. A hole was made in the brick compound wall, and a computer with a touch screen was installed there, connected with a leased line to the Internet. No effort was made to instruct the children of the area how to use the computer, but a camera monitored their response.

After some time several children became adept at surfing the Net, finding sites that displayed information in Hindi that were meaningful to more of their fellows. The adepts taught others, and soon a large number of children were using the Net, all without any help from NIIT-ians. NIIT researchers monitoring the activity found that the children taught themselves to use many of the computer's features, such as cut and paste, to pick up information from Websites and create documents and art.

Mitra concludes that traditional approaches to teaching computer skills will not be the only method of getting India's vast numbers to use the Internet, and in fact cannot be. With a total user base of around 900,000 students after nearly 18 years of existence, a number that probably represents close to half of corporate India's skills transfer (most observers agree that NIIT and Aptech, the two largest companies in the computer education business, have the lion's share of the industry), obviously less than 0.2 per cent of the country has yet been exposed formally to computers. That leaves an absolutely massive task ahead for India, yet one that may be tackled far more effectively if Mitra's research has positive results.

To get such innovation out of the company's staffers Pawar, Thadani, and Rajendran have evolved several interesting approaches. These add both motivation and reward in return for fresh thinking. One of these is the Managing Director's Quality Club, a very exclusive province of top-quality performers. Selected for their ability to 'stand for quality', they undertake an additional responsibility for a year to work closely with Pawar. Membership of MDQC is today the most significant recognition



in the company Two initiatives spurred by this forum were quality improvement projects and a special programme, "I in Quality", aimed at developing the concept of personal quality.

The company's first ISO 9000 certification came about through the initiative of MDQC member Ashish Basu. Today Basu heads the spun-off company Institute for Quality Ltd (IQL), which consults on quality process improvement.

Another major "spinnovation" was the concept of amalgamating speed with innovation. This was spearheaded by The President's Club (PC), begun in 1994. For instance, one of the major changes that has come about as a result of PC activities is NetVarsity (www.niit-netvarsity.com), a Web-oriented distance learning pro-gramme. In fact, the present thrust on e-commerce, exemplified by the ENIIT program (www.eniit.com), also came out of this movement. Incidentally, one way of awarding recognition to PC members is to allow club alumni the right to sport the suffix *-ji* to their names.

Such innovative approaches are not the exclusive preserve of NIIT's Kalkaji (a Delhi suburb) headquarters. Mitra has been running a completely anarchic open-house session, the Cognitive Engineering Forum, every second Saturday since 1997. Researchers can shoot the breeze over a long, unstructured morning session that features an exotic lunch paid for by Mitra himself. Ideation that catches attention can result in projects taking off. The Centre for Research into Cognitive Systems at Synergy, in IITD, is one of the ideas that Pawar heard about and immediately endorsed.

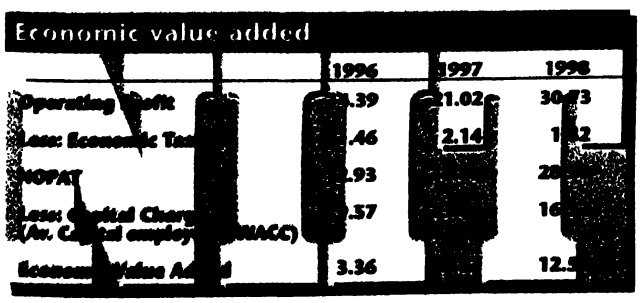
Another project that has taken off rapidly is the company's decision to implement an enterprise resource planning system, R/3 from SAP, which is scheduled to go completely live across the organisation a year from now. This initiative follows the conceptual focus discovered by Pawar's team in the EVA concept pioneered by Stern, Stewart, a US-based financial consultancy. The economic value added of any activity is defined as the net operating profit after tax, which is the operating profit generated after allowing for expenses (taxes adjusted for the savings on interest costs) less the capital charge, calculated as the capital employed multiplied by a value defined as the weighted average cost of capital (WACC). NIIT uses it today to measure output of all processes, including individual merit.



VIVAN

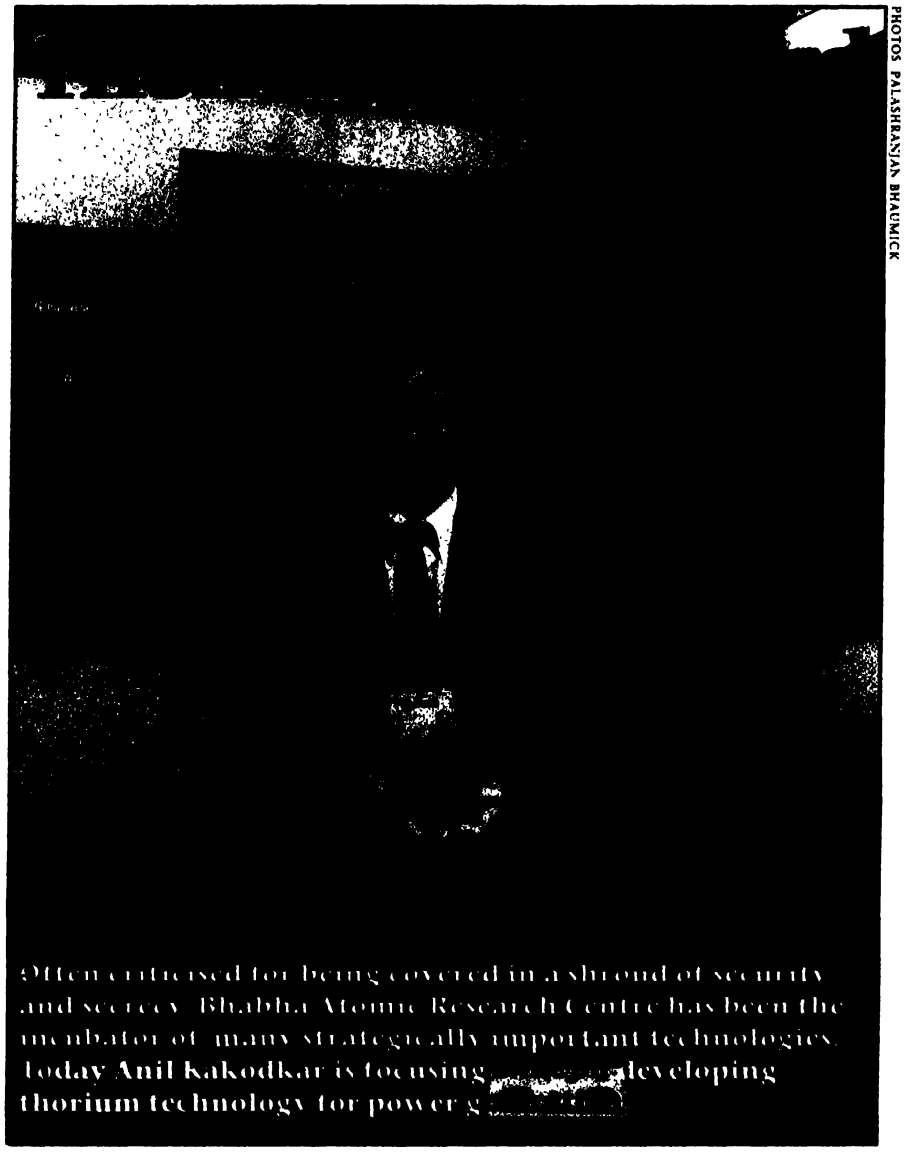
Mitra spearheaded the shift in focus from applied technology to basic research

As the table of the last three year's figures shows, ever since EVA has been used to motivate and focus employees on the real cost of doing business, the company has improved its effective bottomline nearly four times. The WACC has fallen to 19 per cent from its original level of 21. It is this attention to results that finally defines the team that Pawar has built in the past 18 years. Although the company started life as a computer skills training enterprise, it has evolved beyond that to posing a strong possibility of emerging a software superpower with a stable of products and services that add value for customers in almost every sphere and activity. They are built around a rock-solid core of basic research into the very nature of knowledge acquisition, which is then made a part of every product offering, be it education or commerce.



Throughout its exemplary growth NIIT has spawned successful offshoots. However, when it moves into the next phase of growth through acquisition and merger, slated to begin by the end of this year, it will be faced by yet another fresh challenge — that of managing significant and rapid culture dissemination. While there is little in the background to indicate any fundamental difficulties in the ability to face this challenge, the fact remains that the company has not yet had to learn this skill. Whether it will succeed, and move on to generate exponential and continuous growth through the next decade of its existence will depend on the thus-far-proven skills of Pawar and his team-mates to continue to innovate and deliver.

• VICKRAM CRISHNA



PHOTOS PALASHRANJAN BHAUMICK

Often criticised for being covered in a shroud of security and secrecy Bhabha Atomic Research Centre has been the incubator of many strategically important technologies. Today Anil Kakodkar is focusing [illegible] developing thorium technology for power g[illegible]

When you are finally able to get through the security shielded gates of BARC – understandable after Pokhran-II – and enter its labs ensconced in verdant surroundings in Trombay, you are likely to hear only two words — Thorium and mum. Ask director Anil Kakodkar or any senior scientist about the future of BARC and they will say, "Thorium". But if you want to know anything about Pokhran-II, thermonuclear bombs, nuclear submarines, and so on, be warned — mum's the word.

A band of highly motivated scientists and engineers went about building Apsara, the first nuclear reactor in Asia, more than 45 years ago at the Atomic Energy Establishment, Trombay. Today they have converted that marshland into a veritable storehouse of science and technology. "As far as scientific and engineering expertise goes, I think we have a goldmine here," says Anil Kakodkar. A 56-year-old nuclear engineer, Kakodkar threw away several offers from the private sector after his graduation from VJTI, and joined the atomic energy establishment against the wishes of his friends and relatives, but he has not looked back since then.

"Every day here, is a challenge for an engineer or a scientist. We have vastly grown since those early days and today have over 4,500 scientists and engineers on this campus and about 10,000 technicians and support staff. Naturally the informality that existed then is difficult to maintain, but as for scientific dissent, we thrive on it. In fact, if we had all the division heads here for this discussion on BARC we may not have a very peaceful session!" he says.

Is the money spent on BARC commensurate with its output? One observer who preferred to remain anonymous said: "Half of India's R&D budget has gone into atomic energy. Is that justified?" This is a question often asked both by the lay public and in scientific circles, though it has been muted after the five nuclear explosions in Pokhran in May 1998. For most people BARC has always meant the bomb, but why are scientific circles envious of BARC? The answer, naturally, is money. When research funding in India has been meagre the fight for a share of the pie becomes intense.

Indian universities are starved of research funds. Even leading universities do not have any. Many top-ranking universities have cut down the number of research journals they used to subscribe to for want of money. As for modernising labs and other infrastructure, the less said the better. Increasingly, they are being asked to raise funds from non-governmental sources, primarily industry and alumni. Even the blue-eyed boys of higher education and research in the IITs found it traumatic when they were told that government funds were no longer available.

However, the IITs have been lucky. Criticised for their flight to North America, it is these very alumni that are coming to their aid. The IITs are increasingly tapping them for funds and are having some success. Kanwal Rekhi, a successful entrepreneur in the Silicon Valley, is in fact confident that nearly $500 million can be raised from IIT alumni worldwide if the idea is marketed properly. University Department of Chemical Technology at Mumbai has pioneered non-governmental fundraising through industrial consultancy and donations from alumni. Of course, it helps when UDCT's alumni practically run India's chemical industry. But one swallow does not a summer make.

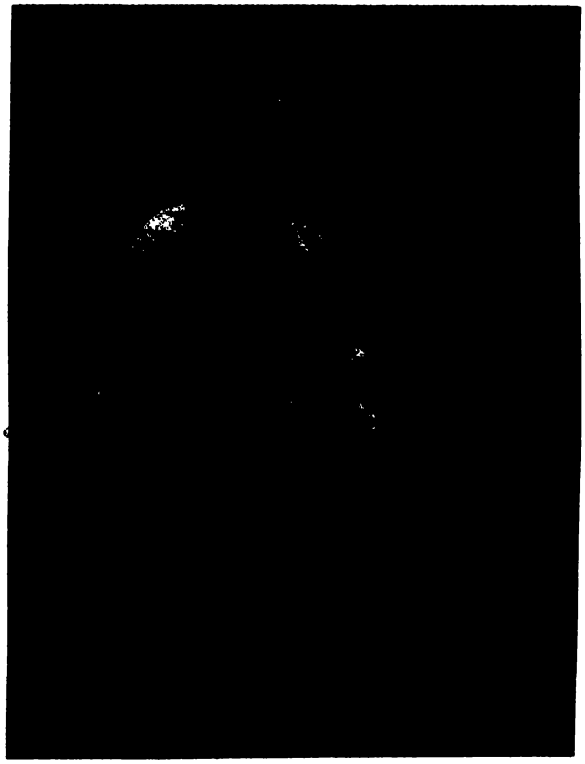
The 44 national laboratories of CSIR which form the largest chain of publicly-funded R&D labs in the world have an annual budget only twice that

of BARC! However, CSIR saw the writing on the wall in the late 1980s and, in the past five years, under R.A. Mashelkar's leadership, has implemented a vigorous programme of innovation and technology marketing worldwide. This is making a positive impact on R&D in India in terms of a trend, though the large numbers have yet to come. In such a situation, would you grudge a scientist outside atomic energy and space a little bit of heartburn?

So what has been the outcome of R&D at BARC? Strategically it is clear that the single most important contribution to India's nuclearisation programme has come from BARC. Its founders were way ahead of their times and invested in a small way in many technologies that have proved strategically indispensable. For example, reprocessing spent fuel from power reactors and some research reactors leads to recovery of fissile material like plutonium, which can be used to either build fission bombs or fuel other power reactors. It is obviously a dual-use technology.

Research into reprocessing started way back in 1963–64, much before any fuel needed reprocessing. In fact, India is one of the very few countries today which has this complex chemical technology. This work has two aspects. One, obviously, was Pokhran-I in 1974. But it also led to reprocessing at an industrial level, so that today reprocessing plants at Trombay, Tarapur, and Kalpakkam are operating with BARC technology. The simultaneous work on fast breeder reactors with French help has led to important cumulative experience in this technology so that a new Indira Gandhi Centre for Atomic Research has been built at Kalpakkam near Chennai to develop this further towards building a 500 MW-prototype fast breeder reactor. Such a reactor will produce more fissile material than it consumes, roughly in a ration of 1:1.2, and hence the name 'breeder'.

Similarly, the unit in BARC which assembled instruments for controls at Apsara and later CIRUS (Canada–India Research Reactor) was spun off as Electronic Corporation of India (ECIL), which produces control instrumentation not only for all the reactors but also for several defence projects. The work done on heavy water production using a new hydrogen sulphide process has been industrialised under the Heavy Water Board, which runs several plants that produce heavy water for the power reactors.



According to Anand BARC has given birth to many industries which did not even exist.

A small group at BARC known as the Atomic Fuel Division took on the challenge of fabricating fuel for the Apsara, CIRUS, and Tarapur plants despite the fact that the original equipment suppliers from the UK, Canada, and the US were ready to supply it themselves. This work led to the large industrial Nuclear Fuel Complex at Hyderabad that fabricates all the fuel elements required for the power reactors. The isotope division, which used research reactors like CIRUS and, later, Dhruva to produce over a hundred radioactive isotopes for medical and other applications, has spun off another industrial unit, BRIT (Board for Radiation and Isotope Technology). Today over 150 hospitals practice nuclear medicine and about 500 laboratories use radio-immuno-assay techniques. Nearly a million patients a year in India are investigated using radio isotope techniques developed at BARC, with isotopes made industrially by BARC. Moreover, 350 commercial organisations have sprung up to service the need for isotope radiography used in non-destructive testing of industrial plants.

The nuclear power plants themselves require a lot of R&D work for operation and maintenance. Some of it involves advanced reverse engineering in adverse circumstance when you do not even possess the drawings of spares, as in the case of Tarapur Atomic Power Plant, in other cases it involves innovative work to keep the power running. For example, Kakodkar is proud of the work done to get the reactors at Chennai on line when they were about to be shut down for good because of a moderator manifold collapse in the heart of the reactor. Similarly, when the coolant channels in the two Rajasthan reactors had to be replaced, BARC developed the expertise and the robotics required — a highly complex engineering challenge. Till then only Canada had the technology, but the BARC-NPC technology was much cheaper and accomplished the task in less time and well within the radiation exposure limits.

"If you want to discuss the commercial or industrial applications of R&D carried out at BARC then these are some major ones. Our mandate has been to develop the technology of applying nuclear energy for power and other

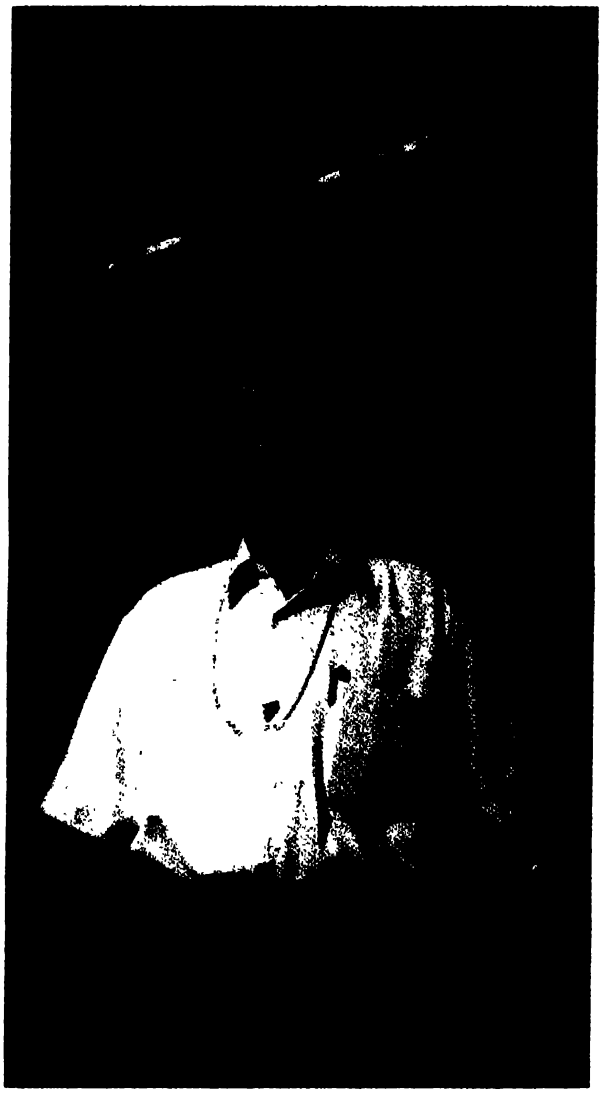
Revenue (salaries, Consumables)	220	290	330	340 *(estimate)*

Unlocking thorium secrets

India would be a leader in nuclear technology if it develops the thorium cycle for power. Thorium has several advantages over uranium.

- Worldwide thorium deposits are three times more than that of uranium. In India's case it is nearly seven times.
- Thorium is a more fertile material than natural uranium, i.e. there will be a larger percentage of thorium 232 converted to fissile uranium 233 than uranium 238 converted to plutonium 239 in the existing pressurised heavy water reactors.
- Thorium is a better conductor of heat and that makes the fuel bundles last longer in the reactor without significant deterioration.
- Long-lived radioactive by-products (actinides) which create waste disposal problems are produced in much less quantity in the thorium fuel cycle than with uranium.

BARC today is concentrating on all elements of a thorium fuel cycle, from fuel fabrication to reprocessing and extraction of uranium 233 while avoiding the complications posed by the highly radioactive U232, and then disposing of the waste produced during the thorium cycle. For experimental purposes thorium is already being loaded into existing power reactors. This has not only helped in power-flattening in the core of the reactor but also provided some quantity of U233. Exposing thorium to neutrons in the Dhruva research reactor has also generated small quantities of U233. A new research reactor Kamini has been built using U233 and thorium.



Sinha and his team are busy setting up critical facilities for advanced heavy water reactors

The whole three-stage nuclear programme might take considerable time for both technological and financial reasons. For example, according to the original plan, 10,000 MW was supposed to be produced by 2000. However, after the Nuclear Power Corporation placed orders with equipment suppliers for advanced procurement and so on, funding was withdrawn by the Central government. That left both NPC and Indian industry involved in hi-tech nuclear fabrication high and dry.

Business India is witness to the fact that two 500MW reactors, which will now be erected in Tarapur around 2004, were already fabricated and lying ready in 1993 at BHEL, Walchandnagar, and L&T! Thus the biggest brakes on India's nuclear power programme have been the planners in Delhi rather than the Department of Atomic Energy.

In such a situation Kakodkar and his team at BARC have come up with an innovative intermediate solution called the advanced heavy water reactor (AHWR).. This technology is highly competitive compared to the existing technologies in several ways:

- Instead of heavy water, ordinary water is used as a coolant.
- The complexity of steam generation is greatly reduced, thereby reducing delivery time.
- Natural convection used in safety systems reduces the capital costs considerably.
- It is thermally more efficient due to the use of moderator heat in preheating feed water.
- Coolant channels can be constructed on an assembly line, thereby reducing construction cost and time.
- It is safer than existing reactor technologies.

The additional advantage of AHWRS will be the use of a large amount of thorium in the fuel. However, since nobody in the world yet possesses thorium technology, BARC's efforts today will start having positive economic effect in 2020. Considering that the technologies being used industrially today for power production were actually worked on 30 years back, that is really investing in the future.

•SK

purposes. It is clear that BARC has been the mother institution for the entire nuclear industry in India," says Kakodkar. "The monies earned through transferring some of the spinoff technologies like the enzyme-based process to manufacture invert sugar, used heavily in biscuits and the confectionery industry, or particle size analysers are used in the pharmaceutical industry, etc, are incidental. Unlike CSIR laboratories, which were set up to develop processes and technologies for existing industry and earn money through royalties and licensing, were set up to give birth to many industries which did not even exist," says A.K. Anand, director of the Reactor Projects Group, who is in charge of technology transfer and international relations.

"For example, the expertise in

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Radiation with a heart

The word 'radiation' conjures up images of the deformed bodies after Hiroshima. However, radiation can be life-saving as well. Besides the well-known gamma irradiation of tumours using Cobalt-60 units that are supplied all over India by BARC, the centre's scientists have also come to the rescue of cardiac surgeons. One of the techniques used to save cardiovascular patients suffering from choked arteries is angioplasty.



Increasingly isotope technology is being used in medicine, agriculture and industry, says Rao

Simply put, the surgeon sends a tiny balloon into a choked artery and inflates it at the right place. The additional internal pressure thus expands the blood vessel, facilitating the flow. To make sure that the arterial walls do not collapse, surgeons insert tiny metallic coils called stents within the blood vessel. However, these stents can cause tiny injuries to the walls and when these injuries heal the scar tissue can choke up the vessel again.

BARC scientists led by S.M. Rao and his team at the isotope division came up with a solution for this fatal problem. They coated these stents with tiny amounts of radioactive phosphorus so that wounds caused by stents are cauterised in a short time, preventing scar formation and saving the patient's life. Already 30–40 such implants have been carried out by surgeons on Mumbai with a very good success rate. Currently multicentric trials of this technique are being carried out and, if successful, will give patients undergoing angioplasty a new lease of life.

robotics developed at BARC under M.S. Ramkumar's leadership is of a very high standard. We had to develop it to build an online fuelling machine for the power reactors and then a coolant channel inspection system for the same. Just then Indian Oil Corporation, which owns over 6,000 km of overland cross-country pipelines, tapped this expertise. Thus came into being the Instrumented Pipeline Inspections Gauge (IPIG), which will soon be tested on the Patna–Barauni pipeline. Since IOC pays over a Rs1 lakh per kilometre for such an inspection to foreign companies who hold proprietary technologies, the development of IPIG is very welcome," says Kakodkar. "Similarly, several groups started working on parallel processing in the early 1990s in India when the Cray YMP computer was denied to us and even the purchase of the Cray XMP by the meteorological department had several humiliating conditions attached. Our supercomputer group produced Anupam, which has reached 1.3 gigaflop speed and is the only Indian supercomputer that is successfully running the weather modelling programme," he adds.

Being such a hi-tech centre, isn't BARC concerned about intellectual property rights (IPR)? "We are slowly becoming aware of IPR in the case of non-nuclear technologies and are preparing to protect some of our innovations. As far as strategic technologies are concerned the issue does not arise. If somebody is ready to licence these technologies for a fee there is no problem. We can then say there is a free market for technology. But if such technologies are brought under sanctions and embargoes, where is the issue of patents?" asks Kakodkar, warming up to the subject of IPR.

"In the 1950s and 1960s, when there was hardly any high-technology infrastructure in the country. But now that there are the IITs, the CSIR labs, etc, is it necessary to do everything under one roof and that too such diverse things as biotechnology, lasers, and parallel processing?" ask some critics. Kakodkar says things are changing. He believes in networking and that is why there is an increasing emphasis on partnering with universities, the IITs, and the CSIR labs. At the same time he claims that only four engineers worked on Anupam and that, some of the biotechnology was a by-product of work being done with nuclear applications in mind. "We have a simple guideline to approve projects — they have to be relevant or excellent. That gives a general focus to the work. The specific focus, of course, is thorium, while work on isotope technology will continue," he says.

What is thorium technology and what is its relevance to India? "India has a limited supply of uranium (estimated reserves are only 78,000 tonnes) as against 518,000 tonnes of thorium. Therefore, to achieve long-term energy security, it is imperative to develop technology for largescale electricity generation using thorium," says R.K. Sinha, head of the reactor engineering group (*see box*).

While the reactor engineering group is busy setting up critical facilities for advanced heavy water reactors that will use large amounts of thorium as fuel, K. Balu and his group at the nuclear recycle group are already studying reprocessing and waste treatment for thorium. Balu's group is credited with having developed the vitrification technology that will immobilise highly radioactive nuclear waste in a glasslike structure so that the waste will not leach out. This glass will be further covered by two stainless steel jackets and then lowered into a thick concrete vault built into basaltic rock. The site is chosen so that there is very little seismicity in the area and no fissures that carry groundwater. "The technology is there, though it will be used several decades later," says Balu.

Thus the whole cycle of making fuel bundles, designing reactors that will burn thorium, reprocessing the spent fuel, and disposing of waste are being worked on today with thorium as the centre. "Just as the technology that we are now using in power reactors was developed about 30 years ago, we need to start developing technologies that will be used 30 years hence," says Kakodkar.

Pokhran fallout

"A major management technique that Kakodkar is associated with at BARC is the formation of multi-disciplinary task forces," says A.P. Jayaraman, a senior scientist who now heads the public awareness division. "We have at least 20 major task forces operating today," says Kakodkar. "The composition is purely need-based and not hierarchical. These groups also work in a very transparent way — nobody can hide behind technical jargon to explain why he did not fulfil his task"

Like all hi-tech organisations in the country, BARC is losing up to 30 per cent of its young scientists working in computers and electronics within five years of their joining. But Kakodkar points out that this is happening in the IT industry itself. Pokhran-II, of course, has helped attract young people to BARC. Recently, when he went to deliver the convocation address at IIT Madras, the generally self-effacing Kakodkar was faced with hordes of IIT graduates asking for his autograph. "For the first time in my life," he says.

Did Pokhran-II create butterflies in his belly? "Surprisingly, no. In fact the only time I remember spending a sleepless night was when, as a young engineer at BARC 30 years ago, I went ahead with designing and putting together a high-pressure, high-temperature loop beg, borrow, or steal. The day before it was to be tested I could not sleep as I had not listened to the traditional wisdom of some of my senior colleagues and had done what I thought was right. But the next day it worked." Kakodkar still carries the courage of his convictions, but has grown wise enough to carry his junior and senior colleagues with him. At BARC undoubtedly there is a spring in everybody's step. Pokhran has contributed to it in no small measure, and Kakodkar's leadership no less.

• SHIVANAND KANAVI



"We are ahead by decades in nuclear waste disposal technology," says Balu

Nuclear *medu wada*

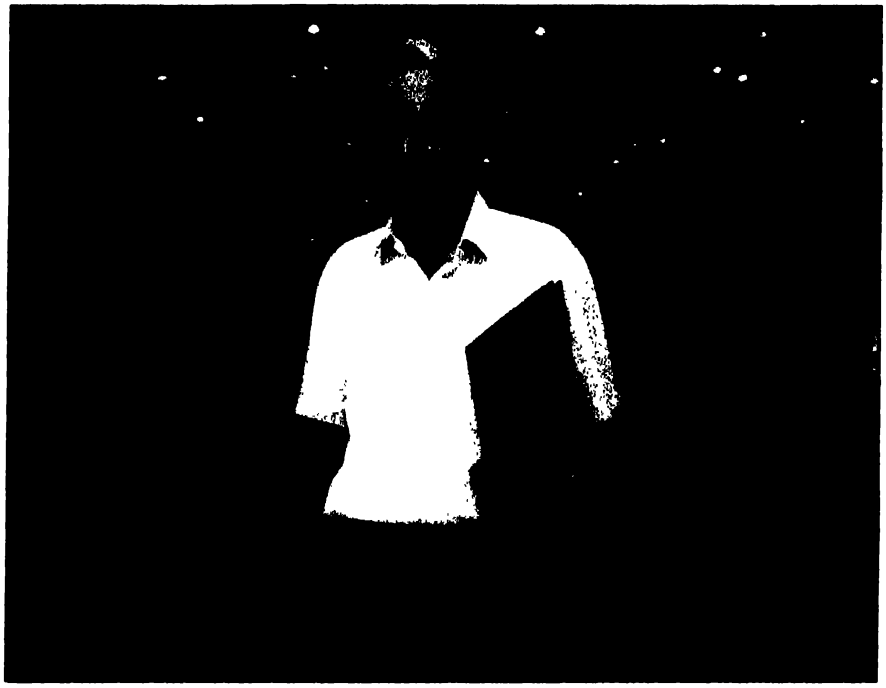
Hardly any body outside of BARC or its nuclear agriculture division and a few agriculture universities might know that 95 per cent of *urad dal* (black gram) grown in Maharashtra is a BARC product. *Urad*, a pulse whose flour is the main ingredient of *medu wada*, a popular south Indian snack, is produced with varieties developed by genetically altering conventional breeds through irradiation. The variety TAU-1 has led to an increase of yield per hectare by 29 per cent.

Similarly, a popular mustard variety grown in Assam is another BARC product. The widely exported large-sized groundnut is another BARC product Trombay Groundnut (TG-1). Today more and more varieties of groundnuts, soyabeans, *moong dal*, and *tur dal*, are produced with higher yields, pest-resistance, and other desirable qualities.

Plant breeders and farmers depend on the genetic variability available in nature for cross-breeding and developing new breeds. The former is the result of spontaneous mutations. However mutations can be induced artificially to enhance variability manifold. One of the most efficient methods of changing plant genes (mutagenesis) is exposing the seeds to neutrons or gamma radiation. The irradiated seeds are deeply studied to understand the effect brought about by irradiation and it has been found that best results are obtained when these modified seeds are further used in cross-breeding. BARC has been working in this field since the early 1970s and the result is a little-known but significant contribution to increased food production.

Marketers now target Bharat

India and Bharat are increasingly becoming one as far as marketers are concerned. But whether rural India is really the far-flung villages or C-class towns and their surrounding areas remains a matter of conjecture.



SANJAY BORADE

Estimates of the size of the rural market have had to based on the census, says Natarajan

Take the four P's of marketing – price, place, promotion, and product. Bung them into a cocktail shaker along with two new P's – positioning and packaging, throw in a touch of D&R (distribution and reach), and you have a quick-fix punch to knock you off your plimsolls. While there is no proven template for rural marketing, the new "shaken, not stirred" formula is the springboard being used by urban-centric marketers who are increasingly looking at the interior. India is giving way to Bharat! Zeroing in on the mass of humanity which resides in rural India is now the marketer's new *mantra*.

However, what constitutes the rural heartland is a subject of much animated ambiguity. The ORG population breakdown clearly indicates that there are three different classifications in the rural belt: Class I – with population over 5,000, Class II – with population between 1,000 and 5,000, and Class III – with population below 1,000. Marketers appear to be zeroing in on Class I.

How are they going about it? Of the 3.3 million retail outlets in the country only 1.2 million are urban; the majority service rural settlements. More importantly, wholesalers and semi-wholesalers are a further vital conduit in the supply chain to reach the secondary, tertiary, and end user point. As such we are talking mass market here. A mass market which has to be constantly probed, developed, and encouraged with the help of support systems which are novel, unique, and radically unlike what is used in urban agglomerates. Rural warfare is a different kettle of fish, to say the least!

There are new entrants to the consumer club which are stoking the fires: after the very rich (six million people) and the consuming class (150 million), a new market segment is offering huge potential — the climbers (275 million) and the aspirants (275 million). This is the new India being targeted in the infrared sights. Add the destitutes (210 million) and you have a whopping 760 million people in rural India. What's interesting here is that, in terms of households, the consuming class, which numbered 29 million in 1994–95, is expected to surge to 91 million by 2006, while the climbers are expected to shoot up from 48 million households to 74 million around the same time and aspirants and destitutes will drastically reduce from 48 million and 35 million to 15 million and 13 million households respectively. There are 6.31 lakh villages in India, a non-homogeneous market characterised by distance, disparity, diversity, and dispersal. Add 47,000 *haats* and 25,000 villages and you have what the 1991 census estimates as 629 million people inhabiting in rural India while 217 million are shown staying in urban pockets. Average daily sales at larger *haats* are Rs2.25 lakh, while the *melas* generate annual sales amounting to Rs3,500 crore.

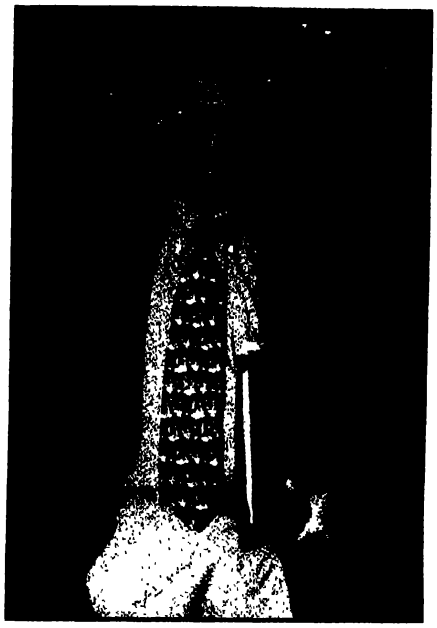
I. Natarajan, chief economist at the National Council of Applied Economic Research (NCAER), says: "One has to follow the census in this regard — everybody residing in non-urban areas is rural. The marketer has tremendous opportunity available because I firmly maintain that saturation levels are still to be reached both in urban and definitely rural households. I think we have not even touched 25 per cent of the total rural households, which are in the region of 170 million. Distribution bottlenecks seem to be affecting further penetration."

From surveys Natarajan has found that pressure cookers, shampoo, and toilet soap are the fastest moving items. As in any marketing strategy, fulfilling the aspirational needs of the consumer remains the edifice. But the rural consumer is different from his urban counterpart. Natarajan claims that innovation is vital as the rural consumer needs functional items. But Neville Gomes, managing director of Multimedia Aquarius and veteran of

many a rural campaign (Amul, GIC, and Glaxo, among others) holds a different view. He argues that close to 30 per cent of a number of products like razors, tea, and detergent cakes today are headed for the rural markets.

What has triggered this great rural rush? Gomes reckons that the subsistence economy has morphed into a consumption economy. This is the single biggest transformation. The rural consumer wants a piece of the action. Natarajan adds that no-frills functional products are what sell in the interiors. Sachet marketing, for instance, is a big hit. Velvette shampoo in sachets spawned a new marketing tactic and Hindustan Lever then ran riot with its Clinic Plus, Sunsilk, and Lux brands. D. Shivakumar, general marketing manager (personal products) of HLL, says: "All four P's apply in the hinterland, but price is the single most important determining factor. But the marketer's job is to find the right proposition, product, or solution for the rural customer. There are enough examples of product and packaging innovation that have resulted in instant successes (Brooke Bond A1, Wheel, Kissan, Annapurna, Lipton Tiger) in the rural market. The rural consumer's quantity of consumption is less as his share of wallet for these items is clearly delineated. Food and agricultural inputs dominate; whatever is left is used to fulfil aspirational needs."

In his view D&R, as also change in promotional strategy, are perhaps vital ingredients. Says Shivakumar, "Then there is the whole issue of PR, where the sarpanch, schoolteacher,



SANJAY BORADE

Gomes sees a shift from a subsistence economy to a consumption economy

and village doctor play an important part in communicating the product's worthiness to the end user. For instance, we at HLL regard the primary health centres as one of the focal points for spreading awareness about our products. But we are fortunate in that we go armed with a wide array of products, unlike some of the other companies." That's perhaps HLL's greatest advantage as it attacks rural India in a big way through Project Bharat, targeting close to 22 million households. From personal care to oral care to branded commodities, the product portfolio offers the consumer a shopping experience.

Gomes says the point of contact is a key driver in pushing products and the village *khadi gramodyog* outlet is another sensible window for approaching the consumer. "But habits are deep-rooted and it is difficult to make people change them. Detergent cakes work well in rural areas, not powder (but research shows otherwise). For that matter, hair oil is preferred in bottles and not sachets in the south. Distribution is another aspect that matters, for it is more often than not uncontrolled. I remember discovering once that the differential in excise was reponsible for Amul butter moving rapidly from Delhi to even southern India on account of this anomaly."

Natarajan maintains that no two socio-economic surveys reveal the same thing. His candid assertion leaves a high margin of error as inference is more important than straight answers. At the same time, he says, "the monthly income household surveys never give you micro-level data. One can only get consistent answers, not the true answer." Maybe that is why the fabled myth of a 250-million-strong middle class was perpetrated on the Western mind. When the Westerner landed, he discovered to his chagrin that it was a gigantic myth. That is perhaps why NCAER is being more careful in giving the rural market a shape and size. Does rural India then incorporate very small C-class towns?

Natarajan says, "The rural market size is growing because of penetration, population, and income growth. With an increase in consumption per user, demand is being ramped up. For instance, toilet soaps have seen a 59 per cent increase in consumption in volume terms due to the income multiplier effect while the toothpowder segment is growing because of population growth. Soap and toothpowder are basic necessities, so their penetration is higher."

What then is the answer? How does the marketer find El Dorado? By locating and targeting homogeneous groups of customers like high-income traders and cultivators. The urban consumer may be an impulse buyer, but the rural consumer is more discerning because of income limitations. The 'share of wallet' that HLL's Shivakumar was referring to is a real-

Distribution of villages

Village population		Villages	Shops in villages (%)			
up to 500	42	2,64,600	26	56	15	3
501-99	25	1,57,500	8	41	41	10
1,000-1,999	20	1,26,000				
2,000-4,999	10.8	68,000				
5,000-9,999	2.0	12,600	2	8	43	47
10,000+	0.3	1,980				

Source: MART



ANURAGI BABA

The Ramayan *Video on Wheels was an extremely cost-effective medium for advertisers*

ity and the single most significant determinant in rural India. Prioritising of goods is paramount.

Concurrently, 10 good monsoons have obviously had an impact on demand, but rural incomes come with another catch, that of seasonality. Around harvest time, the rural consumer's share and spend of wallet for such products increases. But there is a pecking order that he follows — the first priority remains agricultural inputs, followed by consumer expendables, and rounded off by durables.

But with one in every eight human beings in the world living in rural India, which makes it roughly 12.2 per cent of the globe's population, marketers are obviously delighted at a spanking new audience. Shivakumar says, "The rural consuming class is growing at about 3–4 per cent per annum, which roughly translates into 1.2 million new consumers yearly. For the next 20 years this market is going to remain a reality. The pace of change in rural India is frenetic."

Take a gander at these statistics:

- Frost-free refrigerators are selling better in rural India.
- Dena Bank's Kisaan credit card has seen an overwhelming response with 11,000 subscriptions in three months.
- 400 minutes of average cellular airtime usage in rural areas as against a monthly average of 120 in Mumbai and 180 in Delhi.
- Disposition to branded consumer goods is increasing.
- Penetration of toothpaste is better than toothpowder.
- Nuclear family culture has arrived in rural India.
- Two in five toilet soap users regularly use more than one brand of soap
- More than 50 per cent use branded skin creams.
- Nine out of 10 households use branded washing powders (bar and detergent).

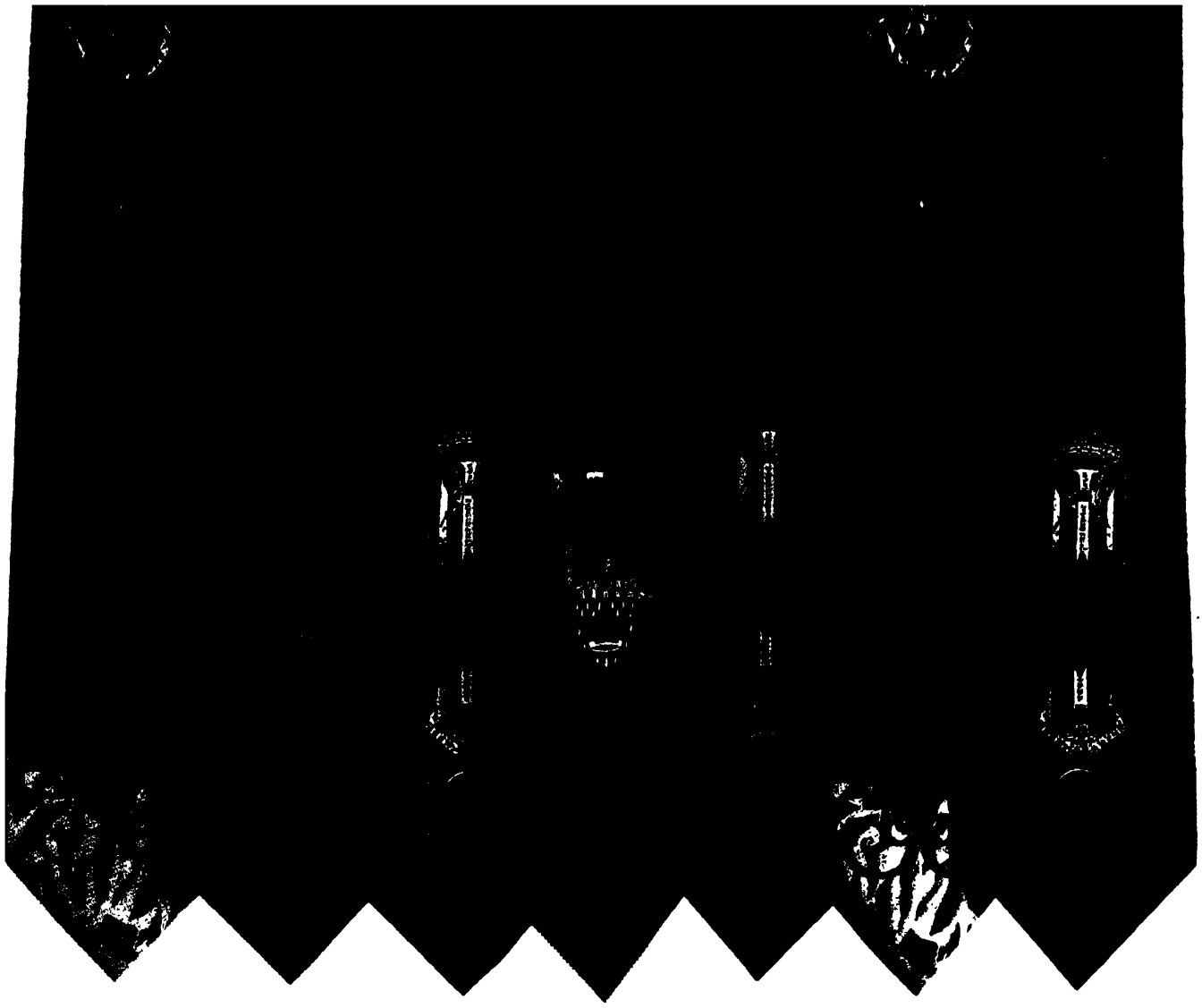
Uday Kamath, senior product manager for Geoffrey Manners & Company, which has a serious presence in the heartland, is clear about one thing. "We prefer to look at small towns with populations ranging from 50,000 to 80,000 (like Bijnor in UP) and their surrounding areas," he says. Geoffrey Manners hawks Anacin tablets, a Rs25-crore brand, in these areas with the famous catchline *Sardard bandh, kaam shuru.* Anacin does remarkably well in the north, Maharashtra, and Tamil Nadu. "Last year we sold 37 crore tablets in rural India out of a total of 62 crore. What we are seeing is a drop year-on-year. I think the rural market is overestimated, for the question that begs an answer is what really is 'rural'? While we have been spending heavily, close to 15 per cent of the Anacin turnover as adspend, we are not getting the returns because we have never been able to monitor the end result of our rural marketing campaigns."

Type of product	Type of outlet	
Agro-related products		
Manufactured goods		
Processed food		
Textiles/garments/handicrafts		
Grocery/stationery/medicines		
Services		
Forest products		
Entertainment		
Total		

Source: MART

What is the methodology used? Geoffrey Manners, for instance, painted 150,000 sq.ft. of walls in Uttar Pradesh last year. It also used tin posters and glow signs at bus stops. In the past it has used video on wheels to communicate its message. But HLL's Shivakumar is more focused. "One has to transfer knowledge in the local idiom to enable it to make its tryst with their mind space. We use information booths at *haats* and *melas*. But I would say the best tentpoles are the STD booths, which invariably turn into hubs of activity." Visuals, symbols, the spoken word, pictures, and music play an integral part. Rural propaganda using opinion leaders and mobile vans add value to rural campaigns. Project Bharat proved to be the perfect weapon in this regard — HLL used the strategy of sampling and simultaneously selling a range of personal products like Fair & Lovely, Clinic, and Pepsodent to deepen the market by using the twin tactic of penetration through education.

Which essentially means that non-conventional media is a better bet. Promoting GIC's Suraksha policy, Neville Gomes sent vans and mobikes into the hinterland to the taluka levels to bring forth the power of multiple-duty media publicity. But let Shivaku-



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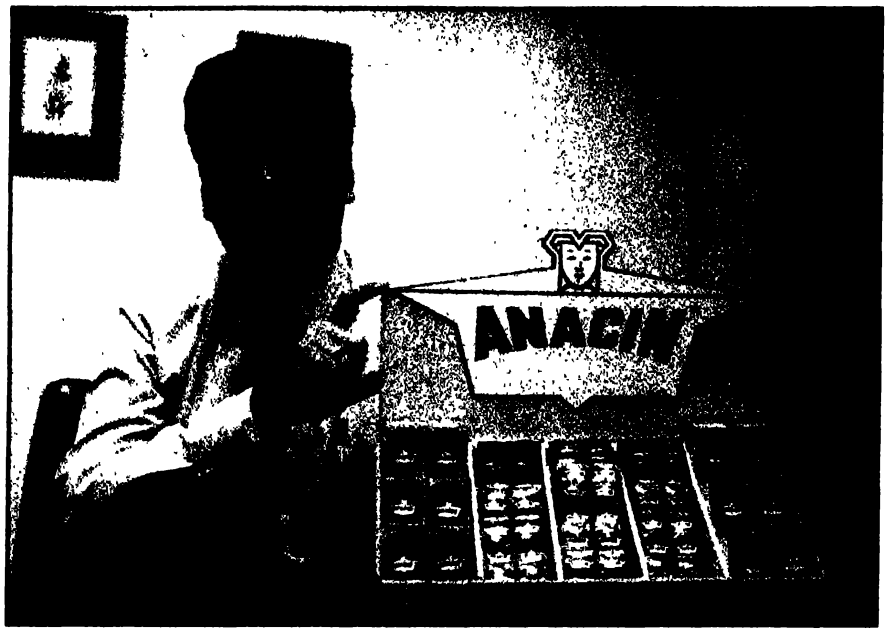
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UMESH GOSWAMI

Kamath believes the size of the rural market has been overestimated

mar take up the narrative. "Positioning of the brand remains very important and this has to be communicated through visuals because the rural consumer has a strong visual sense. Pricing remains the bedrock, so formulations and technology needs to be adapted to local conditions. Finally, development of technology to evolve different product forms holds sway — it could be liquids, powders, or tablets. Nirma, for example, taught HLL the value of cheaper yellow powder and so Wheel was born."

Mobile vans remain a key strategic tool to spread the message. But there are other rural communication stratagems too. JK Jain's Video on Wheels was popular, with *Ramayan* being screened in small towns and villages, but it did not gain acceptance from advertisers. So Prem Sagar, one of the promoters of *Ramayan*, approached Amitabh Bachchan Corporation Ltd to set up the Divya Yatra concept, which was fine-tuned subsequently when ex-ABCL executives Harish Kini, Manoj Jain, and Kapil Raina set up Sanskruti Entertainment. Over a 45-day period Ramanand Sagar's megamythological was screened at the Maha Kumbh Mela (which comes along once every 12 years) in January last year. It was phenomenal success covering Haridwar and Rishikesh. It is estimated that 65 lakh people watched *Ramayan*, a captive audience which does not budge, spellbound and transfixed as it is by the images on the big screen (12'×9'). And advertisers came in droves. Colgate Palmolive, Godrej Soaps, Coca-Cola, Geoffrey Manners, and Amrutanjan pumped in close to Rs40 lakh. Kini says, "The penetration of television in the interiors is still low and this experience is not only monotypical, but cost-effective. While mobile vans pull in the men, this brings in the womenfolk in very large numbers. We have tied up with Ramanand Sagar Software for the commercial video rights for public viewing and in the future we expect to go to Pushkar, Ayodhya, the Dasera and Deepawali *melas* in UP, and the Ambaji *mela* in Gujarat."

Basic facts

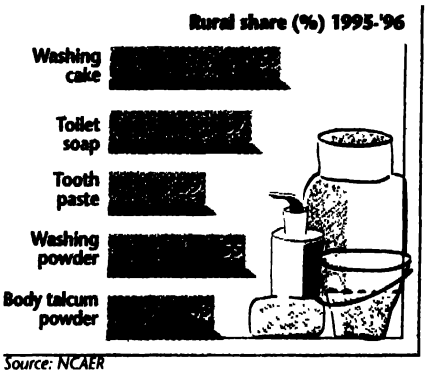
Total number of *haats*	
Sale per *haat* per day	
Number of sales outlets per *haat*	
Number of visitors per *haat*	
Sales per outlet	
Purchase per visitor	

Source: MART

The fundamental bulwarks of advertising were all available — opportunity to see, coverage of cost per thousand, lack of advertising clutter, and above all, an audience which just cannot move, cramped as it is for space. Sanskruti now intends taking mobile cinema to 150 villages in UP this October. Colgate and Geoffrey Manners have already evinced interest in this project, which is likely to include films by Sunil Shetty, Amitabh Bachchan, and Govinda. Ergo: innovation not just in product format but also in marketing tactics is essential to attain critical mass.

There seems to be no escaping the burgeoning rural market. Redefining value is another facet, for a rural consumer should not be viewed as an urbanite without money. He has a distinct identity, he looks for the best value. For him unit price and pack size both are vital differentials. High volume purchases are made at the *haats*, there is documentary evidence to support that argument. So,

Purchase of consumable products



Source: NCAER

marketers have to constantly and consistently change the theorem of retailing. Sampling has proved to be one answer and this has led to the upward movement on the pyramid — from loose commodities to home preparations to basic products and propositions to added-value products. Literacy remains the number one impediment, just as availability of the products across the length and breadth of the land is another barrier. All weather roads and electricity will help make the bridge too far a reality. And then Bharat will be at the beck and call of the marketers.

•SANDEEP BAMZAI

NOKIA

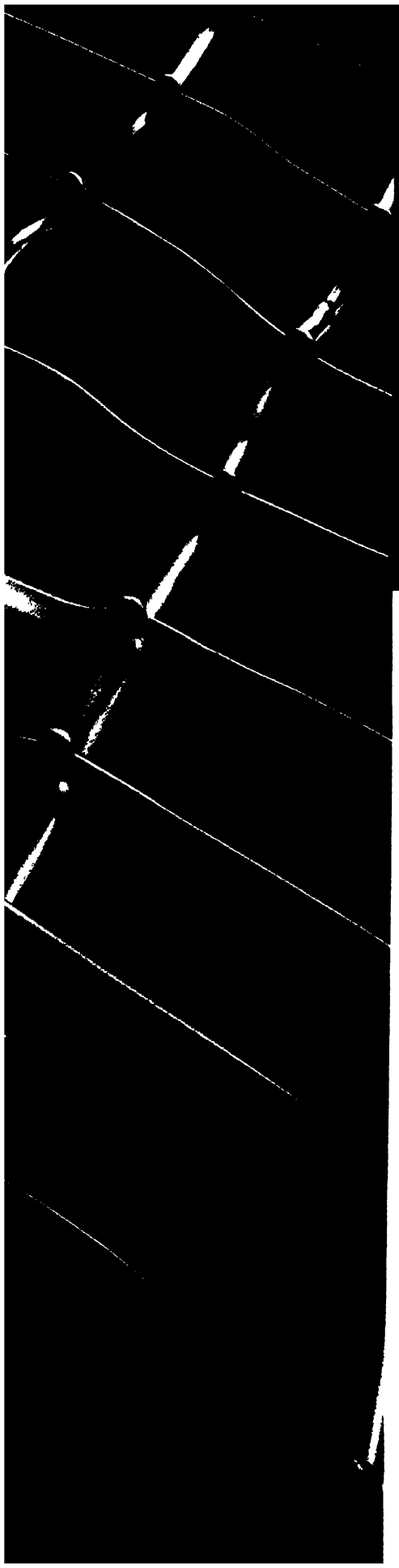
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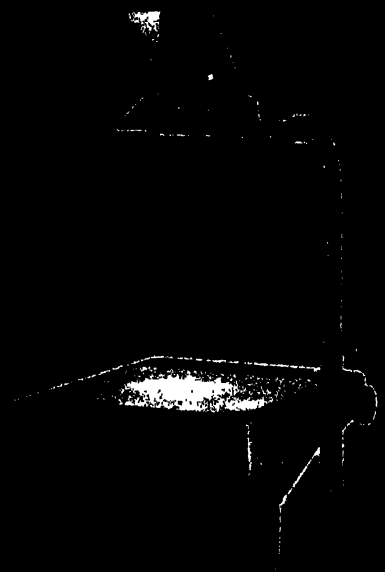
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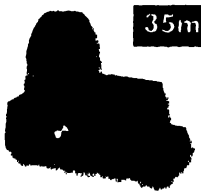
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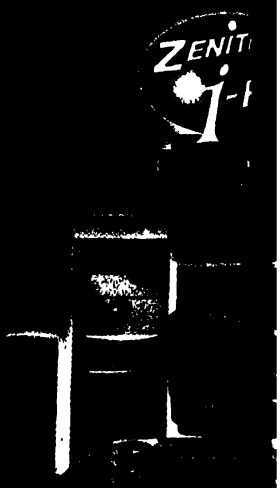


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A chemistry of growth

As the rest of industry wallows in woe, Clariant India is rising rapidly. Most of its growth has come from providing complete solutions to its customers

One company that has been quite oblivious to the sluggish Indian economy is Clariant (India) Ltd (CIL), the Indian subsidiary of the Swiss chemical manufacturer. Over the last three years CIL has registered a compounded annual growth rate of 18 per cent. Turnover for the year to March 1999 was 15 per cent higher at Rs235.2 crore (Rs204.7 crore the previous year) and net profits up 37 per cent at Rs15.2 crore (Rs11.1 crore).



UMESH GOSWAMI

Rastogi says CIL is a total solutions provider

The growth is impressive considering that Clariant India is a division of Sandoz spun off following the Swiss pharma major's divestment of its chemical business worldwide in 1995. Consequently, the dyes, chemicals, and pigments division of the erstwhile Sandoz India became CIL. Further changes occurred in July 1997, when Hoechst's speciality chemicals business was integrated into Clariant AG to form the world's number one speciality chemicals company. This global merger created two Clariant subsidiaries in India – CIL and Colour-Chem – and both have had to rationalise their businesses, except in textile auxiliaries and leather chemicals, where there is an overlap and a common marketing strategy has been adopted. As of 1 January 1999, CIL transferred its pigments and additives business to Colour-Chem in exchange for the latter's masterbatches (chemicals used for colouring plastics and polymers) division.

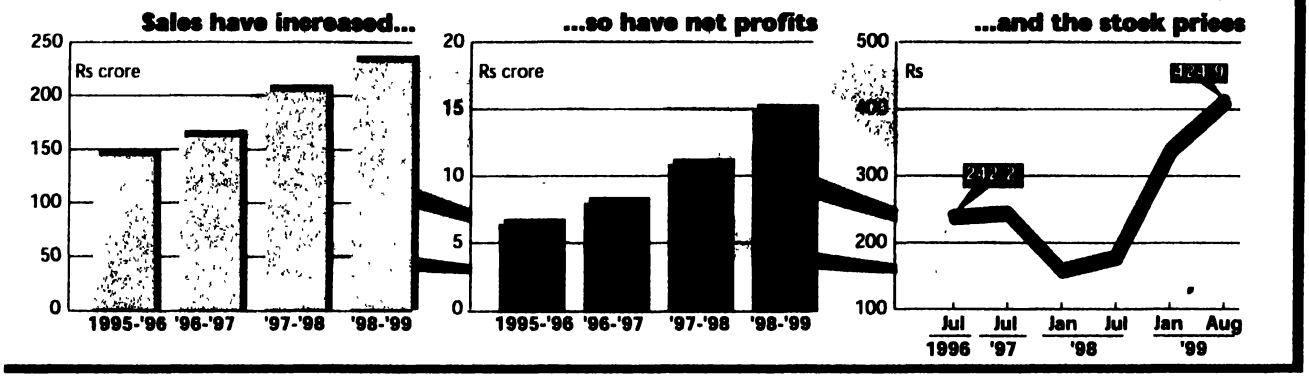
Today, four years after its demerger, CIL has hit a high. The company has five business units — textile dyes, textile chemicals, leather finishing chemicals, paper, and masterbatches. Textile chemicals contribute 27 per cent to the company's sales. CIL claims a share of 6 per cent of this market, which has chalked up a compounded annual growth rate of 16 per cent over the last five years and is largely dominated by the unorganised sector. In the textile dyes business, the company outperformed the industry, which registered a low growth rate of 2 per cent. This business contributes 14 per cent to sales. The leather dyes business contributes 24 per cent. The main competition is from companies such as Ciba Speciality, BASF, and Dystar, which are increasing their focus on India. "Most of the growth the company has experienced in its various businesses is because of new products," says Bhavesh Parekh, assistant vice-president at Mumbai-based Dil Vikas Finance Ltd.

Post-demerger it was the company, rather than its customers and other business partners, that was more concerned about its performance. There were huge functional and managerial gaps that had to be addressed quickly. "The main issue was that, if Clariant India had to succeed, we couldn't have a share of the market unless we first put own house in order," says managing director Prakash Rastogi. Most of the changes necessary were psychological — mainly old conditioning and expectations that needed to be forgotten.

The company's main task was to help its employees forget their past association with a multidivisional company and carve out a new identity. The previous multinational culture that prevailed kept a clear-cut demarcation between management and workforce. For instance, there were separate canteens, different dress codes, different transports, etc, which created huge gaps between the management and the workers. It had to break down these communication barriers and increase transparency levels as well as make people learn about the rearrangement. The main vehicle for changing the organisational mindset towards developing a customer-driven organisation has been the companywide CLAP programme — Clariant Participation to Improve Profitability through Performance of People.

The major thrust area has been the company's customer-focused strategy at market development. In any

Impressive growth



company, the customer is always considered to be the domain of marketing. In the speciality chemicals business, organisational success lies not only in products and its technology, but also in the benefits that are experienced by the customer from the entire supply chain. So the idea was to become a total solutions provider. CIL developed and launched marketing innovations to increase customer satisfaction and organisational performance. This was done for each business unit.

One of the company's initiatives was customer-partnering, whereby development projects were undertaken at the customers' premises to improve the process and profitability. To monitor these projects the company introduced the concept of a customer documentation file, which contains all relevant, up-to-date information regarding the customers' existing businesses as well as developing opportunities. Constant interaction was provided by the company to its customers with its technical experts. Today CIL markets its products to over 2,500 customers through over 50 technical specialists and 100 distributors nationwide. In fact, says Parekh, "what has helped the company perform better in an overall sluggish economy is the fact that it has been providing consultancy services to its customers, thereby allowing it to have better margins over its competitors."

Product innovation has been a key input for sales growth. This means creating a new formulation or developing a new physical form or a new concentration for a required process. Over the last four years, contribution of new products (or products less than five years old) to sales has increased from 12 per cent in 1995 to 16 per cent in 1998. However, for the year to March 1999, product innovations contributed 30 per cent to sales.

Another focus area was working capital management. Apart from controlling costs across the board, one initiative that had a significant impact on the company's working capital needs was engineering stores inventory, which in September 1995 stood at Rs1 crore. After carrying out an inventory analysis, stocks were classified as slow-moving or non-moving and, over a period of three years, focused efforts at effectively managing the latter led to tangible results. In 1998, engineering stores inventory was down to Rs26 lakh.

Through all the changes, the strength of the company's workforce has remained the same — 400. Increased transparency and people involvement has had tangible results in labour management. Sales per employee increased by 55 per cent to Rs59 lakh in 1998–99 (Rs38 lakh in 1995–96).

One of CIL's biggest successes has been its integration into Clariant's global operations. Clariant India is one of the three global sourcing centres for Clariant AG (the other two being Japan and China) and the sole source for select dyes and intermediates. At present Clariant AG sources 20 per cent of its requirements from Asia, and is planning to increase this to 40 per cent over the next five years as it downsizes its dyes capacity at home to escape high costs. And CIL is expected to be a major beneficiary. Hence exports will continue to play a vital role in the company's performance.

Building credibility in the eyes of the parent company is recognised as a key factor in gaining access to new technology and the export markets. There has been a growing emphasis on exports — at Rs76.3 crore, they contributed 32 per cent to the company's 1999 turnover. But with tighter margins from export markets, CIL will have to work out a balance between domestic sales and exports. Within the country Rastogi expects paper chemicals and dyes to be areas of growth in the next couple of years. Masterbatches, where Clariant is the global leader, has been identified as a growth area, although it contributes only 1 per cent to turnover. "The company is looking at topline growth from acquisitions in this business and has also identified a few probable candidates," says Parekh. Besides, it plans to enter new business like antimicrobial finishes, flame retardants, and fluorochemicals. It also hopes to market the parent company's UV filter for fabrics.

However, sceptics question CIL's ability to maintain its impressive growth rate. The company obviously thinks it can. Sample CIL's first quarter performance for the current fiscal: sales increased by nearly 10 per cent to Rs56.12 crore over the corresponding period the previous year and net profits were 15 per cent higher at Rs3.6 crore. Clariant stock, quoted at Rs182 levels a year ago, is today traded at Rs424. The stockmarket obviously doesn't agree with the sceptics.

› BHAKTI CHUGANEE

Tecumseh's turnaround tale

The acquisition route to growth which the compressor manufacturer took two years back has paid off



When the $2-billion American compressor maker Tecumseh Products Company (TPC) took over the Shriram Industrial Engineering plant (Hyderabad) in 1997, quality at the latter was poor and rejections high. Today, the plant is the proud recipient of the ISO 9001 certificate and is the only Indian air-conditioning plant to have received ISO 14001 certification. The other compressor plant — Whirlpool's at Ballabgarh (Haryana) — TPC took over simultaneously, will be India's first non-CFC refrigerator compressor plant when it goes on stream this year-end. Today, Tecumseh is the largest producer of compressors in the country. The soft-spoken managing director of Tecumseh India, K.S. Madhavan, who has been heading the turnaround drive, says with characteristic understatement: "These have been exciting times for us."

The Indian compressor market has been largely MNC dominated. This can be explained by the fact that compressor manufacture involves a substantial level of 'precision engineering' and is technology intensive. There is ample proof of the technology edge at Tecumseh, which is spending Rs250 crore in technology infusion and capacity expansion. Madhavan points out that a major breakthrough was achieved by their R&D wing at Hyderabad. Designs of the new compressor were to be originally imported from Brazil. However, the Hyderabad technical team came up with an upgraded model which reduced costs by Rs500 per compressor.

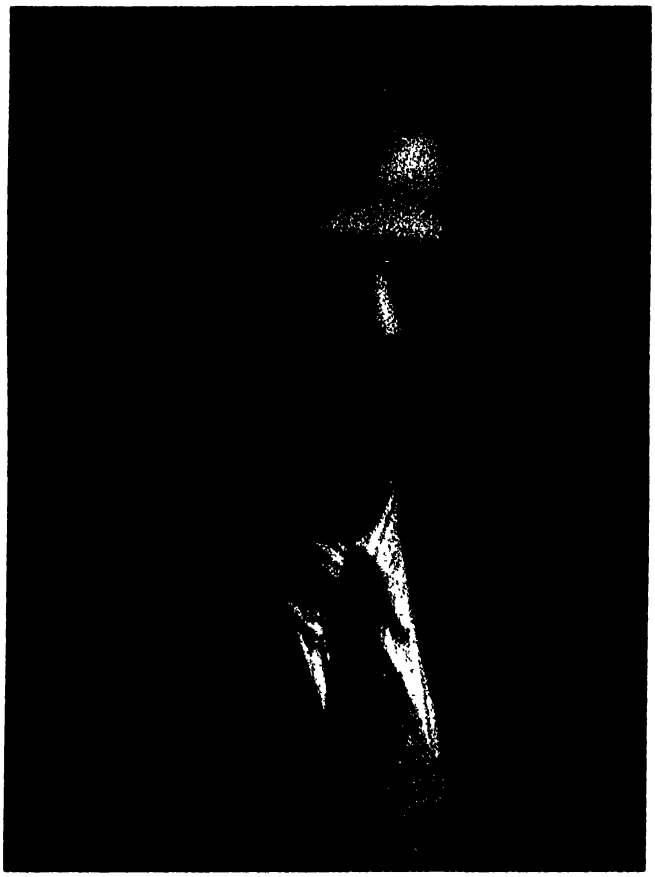
Technology also came into full play at Ballabgarh. The refrigerator compressor plant was acquired from Whirlpool at a cost of Rs65 crore. Since, an additional Rs135 crore has been spent on state-of-the-art machinery and processes to manufacture 1.5 million R134a compatible compressors (R134a is hydrofluorocarbon and CFC-free). According to Madhavan, the plant, built as per international standards, is the first of its kind in the country. It has a reverse osmosis plant; the latest in painting and machining lines, and the consumables used are compatible with the eco-friendly refrigerant. Trial production has already begun and the plant will manufacture 1,000 compressors per day by October. This will be stepped up to 5,000 per day by January 2000. Presently, Whirlpool is picking up the entire production.

However, the economics of all capacity expansions have to be thought out carefully. In other words, look before you leap. Says Madhavan, "We are not in a hurry to go into Phase II of production where the capacity will be doubled to three million." The first reason is that the new plant will take two years to break even, due to the high capital outlay. Depreciation alone would claim Rs20 crore in the first year, and working capital requirements would be Rs35 crore. The company has also factored in a notional interest outflow of Rs5 crore.

Another reason for the hesitation in going in for Phase II is that some of the growing domestic demand is being met by imported compressors like Matsushita and Samsung. Says R.K. Mehta, vice-president, marketing: "Worldwide recession and the Southeast Asian crisis have led to imported compressor prices being slashed drastically. The gradual decrease in import duty, the last one from 38 per cent to 25 per cent, has also helped the imported brands."

Besides avoiding expensive expansions, costs are being well managed elsewhere too. Tecumseh has successfully implemented a variable earning scheme for its employees. The principle of cash outflow versus cash inflow was used. Every year, the company estimated a budgeted increase. If the value addition was more than the budgeted increase, the employees were given cash incentives. In some cases, this worked out to as high as 60 per cent of their salaries. If the value addition was less, a notional amount was deducted from the employees' earnings.

This scheme had a positive impact, most notable on quality. Says Madhavan, "Workers were themselves keen to form quality control circles. Last year they identified 300 weak areas and volunteered to head groups to rectify these problem spots." Besides, employees were made part of the change in every sphere. They interacted with the customers and were encouraged to give commitments to customers, information on rejects was compiled in a data bank by the workers. Some of them were given self-certification badges to certify the quality themselves. This shifted the responsibility and onus of quality on the employees and brought about a sea change in the culture of relationships. Simultaneously, whenever necessary, employees were exposed to their parent company practices.



Technology made the turnaround possible, says Madhavan

These practices have led to dramatic reduction in rejections and costs. According to V. Raghavendra Rao, general manager-quality and technical services, in three years customer rejections have reduced by 40 per cent, rejection cost per compressor has reduced from Rs99 in 1996 to Rs18 in January-May 1999. Also, consumables cost and material cost have been brought down by Rs300 per compressor in the same period and power consumption halved from 56 KWH (1996) to 29 KWH (Jan-May 1999). This quality improvement was also matched by sales growth, thanks to a buoyant market till May 1999, says Mehta.

Hence, the involving of employees and workers in the decision making processes is to continue. A new workers' agreement is under way where the union and workers discuss what the company profile should be in three years. Says Madhavan, "While evolving company needs, the employee needs will naturally evolve." Improving quality and processes with new initiatives in human resource management was also implemented at the SEIL plant, to great effect. The plant, which for the year ending December 1997 made a net profit of Rs4 crore, last year posted a net profit of Rs10.5 crore on a turnover of Rs110 crore. The plant has an installed production capacity of 500 compressors per day. These include air-conditioning compressors in the range of 0.75 tonnes to 5 tonnes and compressors for deep freezers, bottle and water coolers. Tecumseh is now planning to double capacity and diversify product range to include, for example, manufacture of pumps.

When TPC went in for the Indian acquisitions it had an eye on the export markets too. Forty per cent of turnover is expected to come from exports by 2005. According to the CEO of TPC, Todd Herrick, the India move will strengthen their Asian presence. This plan has now begun unfolding. Exports to Saarc countries have begun on a trial basis. "There is no compressor manufacturer in this region. Our advantages are we share the same climate, infrastructure and erratic power conditions," points out Mehta.

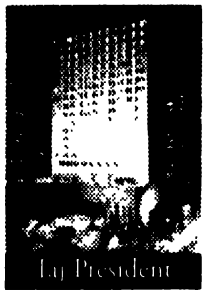
However, everything is not hunky-dory. The Kargil effect has led to a sudden slump in demand. The demand for compressors had so far come mainly from the government and the public sector units. However, these orders have been drying up of late. For compressor makers, the silver lining on the horizon is the boom in the FMCG sector. For growth, the compressor industry is also looking towards the gradual liberalisation of core sectors like power, mining and construction.

Tecumseh's sales, for the year ending December 1999, are targeted at around Rs175 crore. But a bugbear is the high tax, octroi and other levies, which constitute as much as 42 per cent of production cost, says Madhavan. "The Indian industry unfortunately has to bear the cost of governance, resulting in an uneven playing field." TPC's strategy for growth has therefore been to keep costs low without compromising on quality. The company expects to become a Rs500-crore company in three years. Madhavan explains why this is possible. "We have made the right investments in men and machines. These should help us face any future challenges."

• MEERA SHENOY

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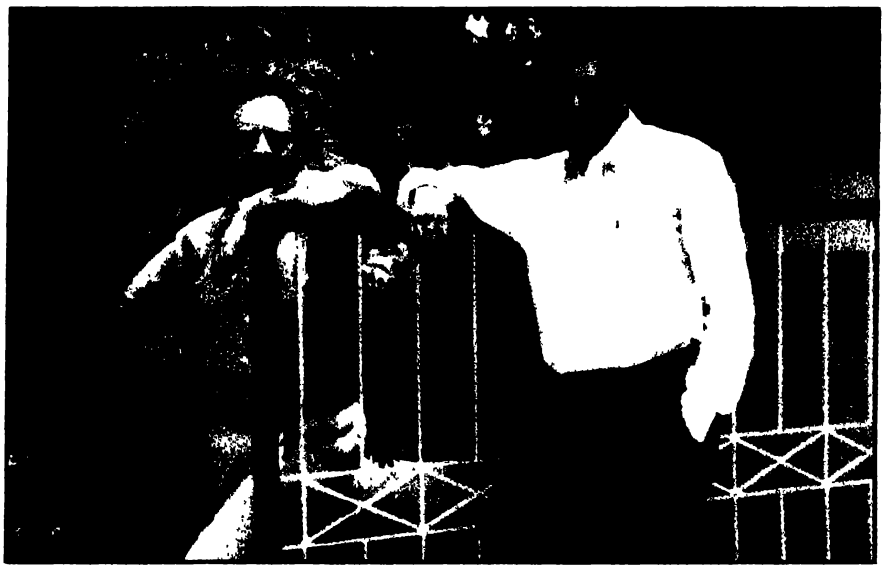
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Gallup-ing into India

The organisation founded by famed pollster George Gallup is making its presence felt in the Indian workplace



SORAB MEHTA

Sharma and Paul see striking similarities across workplaces worldwide

Much water has flowed under the bridge since Mathew Paul and C.K. Sharma co-founded Marketing and Business Associates (MBA) in 1975. The Bangalore start-up has grown into Gallup MBA India, a full-fledged part of the Gallup Organization with an increasingly important presence in the new area of 'workplace audit'. Today, with offices in Calcutta, Chennai, Mumbai, and New Delhi, it makes the methodologies used by Gallup worldwide available here.

In its first 15 years MBA developed a hundred-odd clients in advertising, computers, consumer products and durables, drugs, media, and packaging; but it came into the limelight only when it published a pathbreaking food and beverages database in 1992. It also tied up with Gallup Organization of the US to set up Gallup QSA (quality of service audit) India for commercial market research. Three years later MBA merged with Gallup QSA to form Gallup MBA India, in which the Gallup Organization now holds the majority 70 per cent stake.

Though the Indian arm doesn't work in the area of political polls which George Gallup pioneered, it does offer recognised measurement and analysis of attitudes, opinions, and behaviour, especially for its corporate clients to assess their ability to satisfy their own customers and employees. Sharma, who became managing director in 1977, and fellow director Paul are, however, cagey about divulging any details, even the identity of the companies for which they have conducted research.

Abhay Nalawade, MD and CEO of Rs500-crore Thermax Ltd, is not so reticent. Gallup found Thermax to be very well respected externally, while employees are proud to belong to it. "But they pointed out a couple of areas for improvement," he says. "Externally, we need to be oriented more towards service than capital goods, and to almost guarantee our time commitments. Internally, our people want the company to do more to bring out the best in them — many felt that their skills and competencies were not being fully utilised."

At Tata Honeywell, deputy GM K. Amuthan, who heads corporate quality & systems (CQ&S), says, "The Gallup workplace audit was an eye-opener. It was surprising that an employee's salary has very little impact on the overall satisfaction index — which gives a measure you can monitor over a period." A major advantage of the exercise was the scientific validation of what the Rs200-crore company had itself felt and followed earlier. "This gives us more confidence when moving ahead," Amuthan adds.

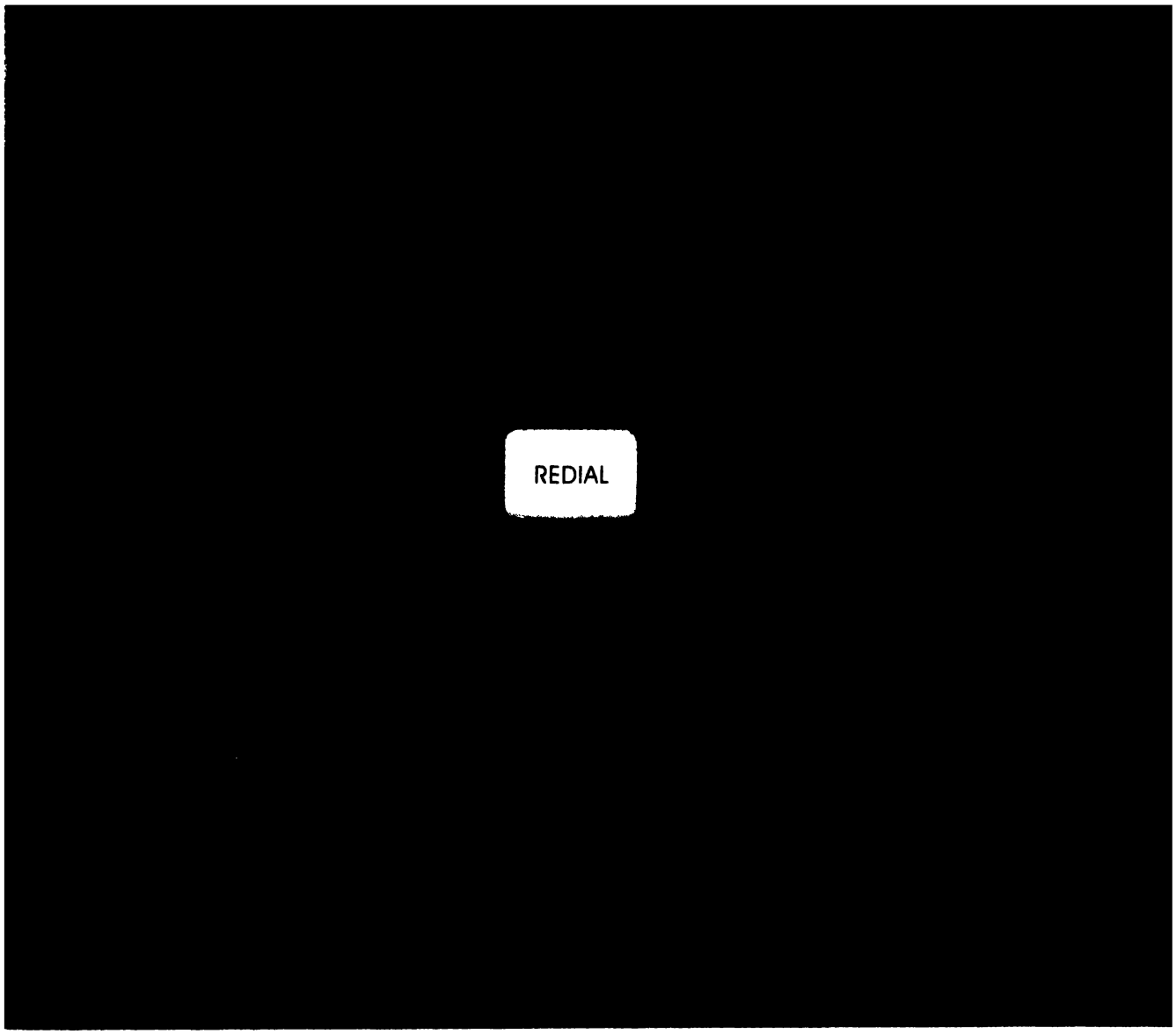
Companies have always tried to gauge customer satisfaction, but ensuring they have what Gallup calls 'engaged employees' is a new trend. "The workplace has suddenly become very important even in the US," says Jim Clifton, president and CEO of the Gallup Organization, who was in Mumbai in June to address a 'workplace summit' for company executives.

"We have interviewed 25,000 employees in 75 companies in India," Sharma says. "And we've found striking and thought-provoking similarities across the world." The 12 questions (Q12) shortlisted by Gallup after going through millions of hours of interviews conducted worldwide are equally relevant in India to help people be heard in a systematic way, adds Paul.

The Gallup name has obviously been a great help in MBA's growth. "Concepts tend to be universal despite the changes in culture and flavour," Paul explains. "So what works elsewhere has relevance here." He admits that competition exists, in the form of IMRB and ORG-Marg in customer-employee satisfaction surveys, and ORG-Marg, AC Nielsen, and MODE in brand research. In employee polls Eicher is also a player — as are a large number of academicians working on their own. But Gallup MBA is the first choice in satisfaction surveys as well as brand research, he claims.

And though India accounts for only about 1.5 per cent of Gallup's $200-million global operations, it is specially valued because it is well poised for the talent war expected in the first decade of the new millennium. And with its large client base and FMCG knowledge, which can be applied to engineering and service companies, Gallup MBA India seems set to lengthen its stride.

• SEKHAR SESHAN



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Particulars	Unaudited financial results		Financial year ended 31 3 99
	Up to June '99	Up to June '98	
Total Income	515.10	370.67	1751.80
Total Expenditure	344 78	235.66	1053.41
Gross Profit *(before depreciation & interest)*	170 32	135 01	698 39
Depreciation	11.44	8.16	38.83
Profit before Tax	158.88	126.85	659.56
Provision for Taxation *(incl. tax on dividend)*	21.40	19 76	122 13
Profit after Tax	137.48	107 09	537 43
Paid-up Equity Share Capital	192.00	48.00	192 00
Reserves and Surplus	877.09	533.62	739.61

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Carpetmaker to the world

Brintons Ltd has set up its first manufacturing facility in Asia at Pune

Perhaps the first multinational brand of carpets to be manufactured in India is Brintons of the UK. The parent company, Brintons Ltd, headquartered at Kidderminster in Worcestershire, has set up a wholly-owned subsidiary called Brintons Carpets Asia Pvt Ltd, based in Pune. For the past 14 months the company has been busy erecting a large factory on a 25-acre plot at Pirangut, on the outskirts of Pune. This will be an export-oriented unit — 75 per cent of its production will be exported and the rest sold in the domestic market.

John Pilling, group manufacturing director of Brintons Ltd, UK, says: "We already have five manufacturing plants worldwide — in the UK, Australia, New Zealand, Portugal, and the US. The Pune plant will be our first in Asia and sixth in the world. Since the past four years we have been planning to set up a manufacturing base in the Far East and we had shortlisted China, India, and Malaysia during our initial survey in 1996." Finally, in October 1996, Brintons decided to come to India for three main reasons — it is a democracy, English is widely spoken and understood, and, lastly, it has historical links with Britain. Adds Pilling, "We perceived China as a higher risk country compared to India and therefore we finally chose this country."In 1997, Brintons hired A.F. Fergusson to search for a suitable location in India, and after extensive market research shortlisted Pune, Goa, and Chennai. The consultant zeroed in on Ranjangaon, 40 km from Pune, but learnt that it was an industrial zone where no chemical factories were allowed and, as Brintons wanted to set up a dyeing plant for the wool to be used in its carpets, this location had to be dropped. That's when it came across Suranjan (Sam) Chatterjee, who had just quit Hindustan Lever to set up his own consultancy. Says Pilling, "Then onwards things moved fast and Sam found this 25-acre plot at Pirangut. He did the negotiations, got us clearances, and we bought the land in February 1998."

Chatterjee has since been co-opted as director on the board of Brintons Carpets Asia Pvt Ltd. With director and GM Mark Johnson, he has been responsible for getting the factory up and running in a record 14 months. Says Johnson, "Construction began in April 1998 and by April 1999 all 12 weaving looms and a lot of ancillary machinery had arrived and had been installed by our engineers. We began trial production in June and for the past two months we have been producing consistently high-quality world class carpets on two of our looms."



PHOTOS: INDERJIT GUJRAL

Brintons considered India the least-risk country, says Pilling

According to Johnson, all 12 looms will become operational in about a year from now and it will take one more year to reach full efficiency and full capacity, at which point the plant will produce 700,000 square metres of carpets, translating into a turnover of Rs75–80 crore. Brintons' target for the current year is Rs20 crore, projected to grow progressively to Rs80 crore by the third year of operation. "We are investing Rs50 crore in this facility. Only the dyeing plant remains to be completed. So, till February next we will use dyed wool imported from the UK for our carpets. We are about to start executing an order for 6,000 m^2 of carpeting for some restaurants in China. After completing this, we have orders from Hotel Leela Kempinski, Bangalore, Cunard Cruise Lines, and Le Meridien Hotel, Dubai, which have to be executed in the next three months," says Johnson.

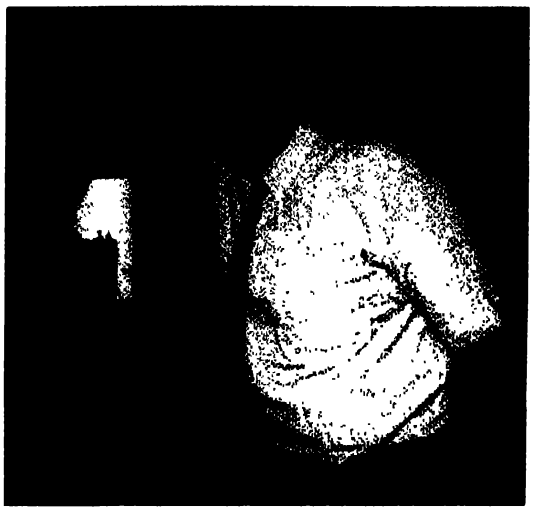
Brintons Ltd does worldwide sales of around £112 million (Rs700 crore) and has a 20 per cent marketshare in the five-star hotel segment. "We are the world's largest producer of Axminster carpets," says Pilling. Axminster technology allows many more colours and intricate designs to be woven into the carpets than the Wilton process, another major manufacturing technology for machine-woven carpets.

Brintons Ltd supplies carpets to all major five-star hotel chains worldwide. Hilton and Marriott are two of its largest customers, besides cruise companies like Cunard Cruise Lines and Disney Cruise Lines. In India the Taj, Oberoi, and Leela hotels have been customers even before it set up shop here. Brintons Carpets can also be found in the White House, Buckingham Palace, the Kremlin, Sydney's Opera House, and other prestigious places. The new Hong Kong International Airport is fully carpeted by Brintons. "It was the largest single order bagged by any carpet manufacturer in the world. The order, for 160,000 m^2, was supplied by our UK plant," says Johnson.

The production of the Indian plant will go to markets in China, the Middle East, the UK, and the US, and the retail market in Australia (despite the fact that Brintons already has a manufacturing plant down under). "The Australian plant caters for large contract orders but there is a huge retail market for carpets used in hotel bedrooms, departmental stores, etc, and this market is very competitive," explains Pilling. In the Australian retail market tufted carpets are most popular. Tufting is the most popular method of making machine-made carpets, because it is faster and

cheaper to produce, but tufted carpets are of lower quality. However, because of the low manufacturing costs in India, Brintons hopes to be price-competitive and replace the tufted carpets in Australia by its superior quality Axminster carpets, thus opening up a whole new market segment for its products.

The Axminster looms installed at Pune are of Brintons' own design and manufacture and are an earlier generation compared to their latest looms. However, they were completely upgraded last year in the UK and 13 Indian engineers recruited for the Indian operations were sent to the UK for a year to participate in the refurbishment programme. They were also trained to operate and maintain these looms and were widely exposed to Brintons' world-class management culture, which focuses on teamwork and continuous improvement in all its activities. They have now returned and are training the workers on these machines. At the moment Brintons Carpets Asia Ltd has recruited 28 workers, which will go up to 155 at full capacity. "We have found our first lot of workmen very productive, very hard-working, and learning faster than we anticipated," says Johnson.



Brintons' order book is already brimming, says Johnson

Brintons carpets are wool-rich (80 per cent with 20 per cent nylon), which makes them highly durable. This wool-rich yarn is woven into a jute backing and then latexed to finish the process. The plant at Pune has a huge latex machine and 12 large looms, besides other ancillary machines. "We have a built-up area of $3^1/_2$ acres in which all the equipment is housed. At the side of this machine shop a state-of-the-art dyeing plant is coming up," says Chatterjee. An effluent treatment plant will treat the discharge and recycle the water and recirculate it for use in the dyeing plant. In the next phase of expansion, two years from now, Brintons Carpets Asia is planning to set up a yarn spinning mill in the same location in Pirangut, where bales of wool will be spun into yarn.

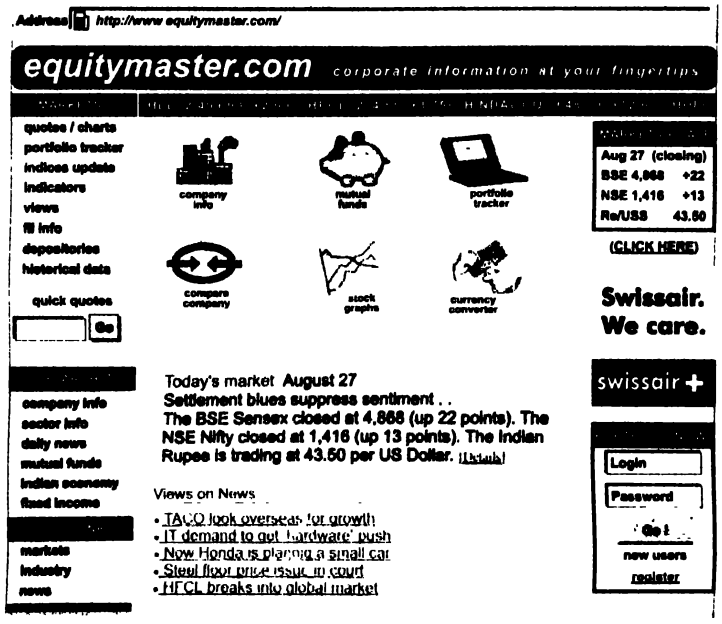
The Brintons group is looking at India with a long-term prospective and this latest venture is its most modern fully-integrated manufacturing facility outside the UK. The company is also set to become a major player in the machine-woven carpet market in India.

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Taking the high road

Honda's decision to set up a wholly-owned subsidiary is a reminder of its growing ambitions

With Honda announcing the setting up of a wholly-owned subsidiary called Honda Motorcycle and Scooter India Pvt Ltd, the question haunting its collaborators (read Hero Honda) and competitors alike is that: is Honda serious about reentering just the scooter market or is it a backdoor entry into the more lucrative motorcycle segment of its own subsidiary, Hero Honda, which has seen unparalleled success in the motorcycle segment consistently over the last decade.

The Kinetic Group only 10 months ago was the junior partner of a joint venture with Honda, namely Kinetic Honda, manufacturing scooters in India. Says Sulajja Firodia Motwani, joint managing director: "If Honda was serious about its scooter business in India and wanted to grow in the market by introducing new models, then why did they not do so during the last 12 years that it was present in India, through its JV with us? After all, it had a majority stake and full management control. Yes, it's true that Honda has said that it will start by manufacturing a 4-stroke scooter first through the new company. But what one fails to understand is that why should Honda reenter a business by setting up a greenfield project at a whopping investment of over Rs200 crore, when it has barely 10 months ago exited that market, unless it has a larger gameplan of manufacturing motorcycles too."

True enough, a statement released from Tokyo by Honda states: "Production of a 4-stroke scooter will begin in the latter half of 2001, at a new plant to be built near Delhi". But the statement adds that production of 4-stroke motorcycles is also planned in the future. "Honda, which aims to increase its presence in the two-wheeler market," continues the statement, "has reached an agreement with the Hero Group for keeping their strategic relationship and strengthening their model line-up with a focus on motorcycles. By establishing their wholly-owned subsidiary, Honda hopes for a synergistic effort in co-operation with Hero Honda." Quite an ambiguous public posturing this by the Japanese automobile major.



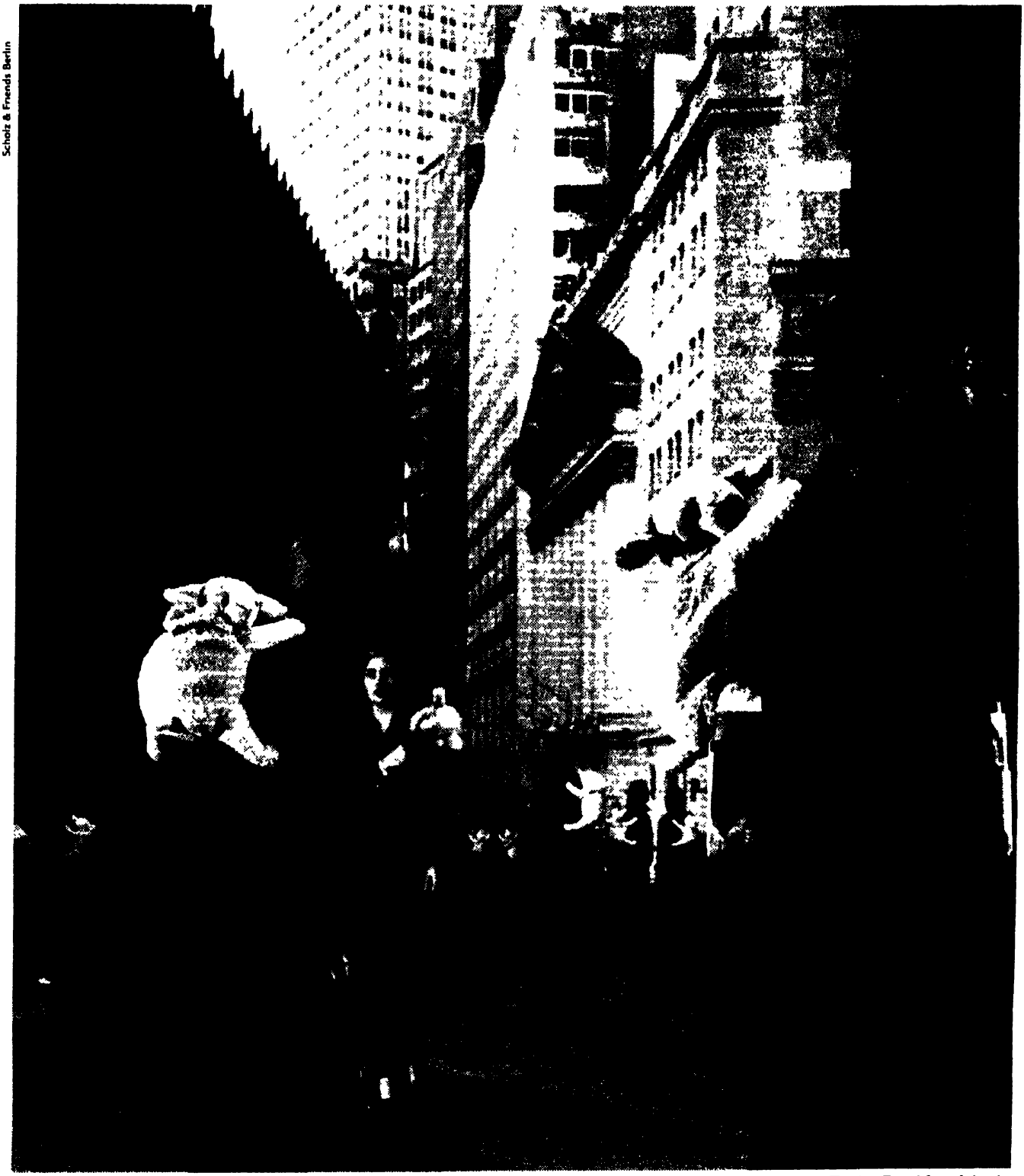
Sulajja Firodia is launching Kinetic's four-stroke KX4 by November

Sources close to the Firodias reveal that recently the Munjals of the Hero Group were summoned to Japan by Honda, who made it clear to them that they wanted to buy out the 51 per cent stake of the Munjals in Hero Honda. Apparently, the Munjals had agreed to the suggestion but insisted on selling their stake at market price, by which time the scrip had shot up to an all-time high of Rs1,400 per share. Honda, however, found their price too high and decided to float their own wholly-owned subsidiary.

The Firodias, on the other hand, say that this development is not surprising at all, because at the time Honda was negotiating with the Firodias to sell their stake in Kinetic Honda, such a possibility was extensively discussed between the two erstwhile partners. But what ostensibly seems to be a move by Honda to reenter the scooter market is being seen as a bigger plan to enter the entire two-wheeler market, which is gradually shifting towards motorcycles from what was predominantly a scooter market 10 years ago. Says Sulajja, "Several facts indicate this. For example, for the first time in the history of two-wheelers in India, motorcycle sales outstripped scooter sales last year. The year-on-year growth of motorcycles for the last three years has been more than double that of scooters. Even a traditional scooter manufacturer like Bajaj Auto has aggressively entered the motorcycle market. Other scooter manufacturers like ourselves and LML are working overtime to enter the motorcycle market, having seen rapid growth in this segment. And lastly, the domestic scooter demand is projected to grow at a CAGR of 7 per cent during the next three years, while the motorcycle market is expected to grow at a CAGR of 20 per cent during this period."

Despite this, there could be speculation that Honda will enter the market with a geared scooter to compete with the "mass" market of Bajaj Auto, which eluded Kinetic Honda, due to its styling and price. But that doesn't seem to be a wise choice for two reasons: First, because the geared scooter market is in fact declining. Since April 1999 the market for geared scooters has shrunk with both Bajaj Auto and LML losing marketshare to Kinetic and TVS. Bajaj Auto's marketshare, for example, has

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declined from 49 per cent to 42 per cent, while Kinetic has gained marketshare from 9 to 13 per cent.

Secondly, Bajaj Auto is well-entrenched in this "mass" market making the entry of a new player difficult and expensive. That leaves the premium scooter segment for Honda, but the numbers in this market would be too small for a large player like Honda. "Therefore", says Sulajja, "all logic points to the fact that Honda will essentially enter the motorcycle segment. It is only a question of how soon they do it? Moreover, Honda enjoys a high brand equity as a motorcycle manufacturer rather than a scooter manufacturer. This has been demonstrated in India too. And once the two-wheeler manufacturing facility is set up in India, it can be easily used to make scooters or motorcycles interchangeably. Once the plant is set up and the distribution network in place, it makes sense for Honda to capture the entire motorcycle market at an opportune time."



The Kinetic tie-up will help Hyosung launch its GF150 in India

Industry sources also point out that within one week of Honda's announcement on 6 August to set up its own subsidiary, Hero Honda's stock price has fallen from a high of Rs1,400 to around Rs1,200. Even the stockmarkets are sensing the imminent entry of Honda into the motorcycle segment, point out sources close to the Firodias. "On the other hand," says Sulajja, "the share price of Kinetic Motor Company Ltd (erstwhile Kinetic Honda), which touched an all time low of Rs32 last year, after Honda's exit, has been inching up in tune with its rising sales and is now around Rs52. The price of the Kinetic Engineering scrip during the last week has also flared up from Rs80 to Rs140 after we announced our intention to enter the motorcycle segment with the launch of three new mobikes in a technical tie-up with Hyosungs Motor Ltd of Korea."

Meanwhile, Kinetic Motor Company Ltd's (KMCL) sales have shown a definite uptrend in the last four months and that too in a declining scooter market. KMCL, which sold 8,000 scooters in the month of April, last month sold approximately 11,000 scooters according to AIAM (Association of Indian Automobile Manufacturers) figures. In the current month, KMCL is targeting sales of over 12,000 scooters and if it achieves that, it could be the best month ever in the history of KMCL. By the end of the current fiscal year it is targeting sales of over 15,000 scooters a month. Even if it maintains its sales at the current level, it would still sell a record 125,000 scooters in the current year.

Besides, in August, KMCL has launched a new model called 'Kinetic Style', which is a 74 cc scooter aggressively priced at just Rs25,000, pitted against the TVS scooty. It has features like a separate oil pump, which considerably enhances engine life and gives a trouble-free engine performance, as has been proven in its other scooter models originally designed by Honda. It also has double the storage space that any other scooter provides, with enough space for a helmet under its seat plus a glove compartment. The styling of this scooter has been done by UEN, a Taiwanese design house. KMCL expects to sell an additional 25,000 numbers of Style in the current year.

Meanwhile, the other major company in the Kinetic group, namely Kinetic Engineering Ltd (KEL), last month announced its entry into the motorcycle segment when it unveiled three new mobike models, two of which will be manufactured in technical tie-up with Hyosung Motors of Korea. These bikes have engines of 100 cc, 125 cc and 150 cc capacity. "With this we will be able to offer the widest range of two-wheelers right from 50 cc engines to 150 cc ones," says Arun Firodia, chairman and MD of KEL.

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According to Firodia, during a visit to Daewoo and Hyundai, who are Kinetic's partners in other businesses, he saw Hyosung's GF 150 cc bikes on the Korean roads and was impressed by their stunning looks and smooth ride. As it happened, Kinetic was looking for a foreign tie-up and top-of-the-line models of motorcycles which it could manufacture in India. He directly approached Hyosung Motors, a part of $2.2 billion Hyosung Corporation. Hyosung Motors, which exports its motorcycles to 60 countries, is the largest motorcycle manufacturer in Korea and market leader not only in Korea but also in markets like Vietnam, Germany, besides exporting to the US, France, Spain, Brazil, etc.



Kinetic's scooter sales have shown an uptrend in the last four months

The foreign connection

Says Eun Woo Park, chief of International Business Development, of Hyosung Motors: "Hyosung was also looking out for a partner to gain entry into India, the second largest two-wheeler market after China, where we already have a manufacturing facility. We found that Kinetic had an extensive distribution network and good manufacturing facilities and shared our keen desire to grow its motorcycle business in India. So, we have decided to launch two of our best selling models GF 125 and GF 150 along with Kinetic in India." These bikes will have several features seen for the first time in India, like a push-button start, a four-valve, 4-stroke engine, which gives better combustion, smoother ride and higher thermal efficiency, disc brakes, cast alloy wheels, transient power fuel control (TPFC) for an initial surge of power and unmatched pick-up. These two models will be upmarket and are priced at $1,300 (Rs58,000) in the international market.

However, the Firodias are tightlipped about their pricing in the domestic market. They will have a fuel-efficiency of 50 kmpl and dual cradle box chassis, which can carry more loads even on rough rural roads. These two models will hit the market six months from now, sometime in March 2000. However, before that, by November 1999 Kinetic will launch its indigenously developed KX4, 100 cc 4-stroke bike, which will have a fuel-efficiency of 87 kmpl under test conditions. It will have a 7.6 bhp engine designed by WJL of Taiwan and its engine will employ the new ram induction technology, which is similar to turbo-changing and gives an initial power surge for good pick-up. "It is more powerful than Splendor or Caliber and we aim to achieve a fuel-efficiency of 65-70 kmpl in actual city driving conditions. It will be priced competitively against Splendor and Caliber, which are between Rs40,000 and Rs45,000 and will have contemporary styling," says Sulajja. She also reveals that bikes will be aggressively marketed by offering exchange schemes for old bikes and attractive finance schemes.

KEL expects to sell 40,000 bikes of all the three new models put together in the first full year, which will take the group's turnover from Rs800 crore last year to past the Rs1,000-crore mark. So, by the time Honda enters the market, two years later, Kinetic will be all set to establish its own mark in the Indian two-wheeler market.

• ROOP KARNANI

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Not just brick and mortar

MCCL, the 30-month-old fledgling of the Mahindra family, has its sights trained high

It is building castles even as the real estate industry lies in ruins. The Chennai-based Mahindra Construction Company Ltd (MCCL) has grown from Rs5 crore in 1996-97 to Rs25 crore in 1998-99. Recession in real estate has been a dampener, or else MCCL's sales may well have reached Rs70 crore, says CEO K.V. Nair.

"From simple buildings, we moved on to industrial construction and are now foraying into the infrastructure sector," he says. "Our projected turnover over the next five years is over Rs500 crore, second only to L&T's Chennai-based ECC construction Group." To realise this, a growth rate of at least four times the industry average is necessary, explains Nair. He points out that five of the last seven projects clinched by his company have been in the industry segment.



UMESH GOSWAMI

Nanda and Nair are positioning MCCL for primacy in construction

While Nair concedes that MCCL's sharp growth is mainly due to its being a new entrant, he emphasises that it has bagged major projects. The company has, however, been fortunate to be part of the steadily expanding parent group — Mahindra and Mahindra Ltd (M&M). Group contracts include the Rs26-crore Mahindra United World College campus at Malushri taluka near Pune, the tractor assembly plant at Nagpur, assembly shop at the Kandivli plant in Mumbai, and the three premium residential towers worth Rs70 crore in Mumbai. MCCL also gains from its Chennai-based sister company of Mahindra Holidays and Resorts, the timeshare and hospitality venture that markets itself as Club Mahindra. MCCL has secured the contracts for the two upcoming resorts: the Rs22-crore 154-unit complex at Munnar in Kerala and the Rs45-crore two-phase project for the 275-unit resort in Goa.

The company is part of M&M's Infrastructure Development Sector (IDS) and executes turnkey and contracting projects. IDS president Arun K. Nanda reveals that MCCL has developed associations with domestic and overseas construction establishments for joint venture tie-ups in industrial and infrastructure projects. "We are not a brick and mortar company," he points out. "We wish to add value to whichever site we take up." The company has a strategic alliance with the US's Butler Manufacturing Company to develop pre-engineered building systems and has tie-ups with global heavyweights like Malaysia's Mudajaya Corporation and Indonesia's P.T. Total Bangun Persada, he adds.

Nair stresses that the in-house projects comprise no more than 40 per cent of the present business and will be reduced to less than 10 per cent in the next three years. A prestigious scheme MCCL has cornered includes the Rs425 crore engineering procurement and construction (EPC) contract for executing the Tirupur water supply project on a build, own, operate and transfer (BOOT) basis. The company forms part of the M&M-led consortium that includes L&T for this scheme.

Other infrastructure projects include erection of the Rs12.36-crore aerolinks at the extension of the Mumbai domestic air terminal 1-A along with a security hold area, and the Rs10-crore four-lane road over bridge (ROB) on NH7 at the level crossing at Karur near Trichy for the National Highways Authority of India.

A Howard Business School team engaged by MCCL, had, in its report submitted in May 1996, estimated demand for civil construction services in the industrial sector at Rs57,000 crore over the next six years. MCCL will aim for about 4 per cent marketshare and sales of Rs350 crore with the long-term gameplan to develop as an engineering procurement construction (EPC) contractor. Harvard regarded the industrial segment as the most attractive with favourable economics and a good base to practise important project management skills useful for a later entry into infrastructure projects.

MCCL is India's first ever construction company to be awarded the coveted ISO 9001 quality system certificate from the international accrediting agency of Det Norske Veritas, Rotterdam. It has also been certified by Walbridge Brown and Root International for conforming to ideal safety measures by achieving a zero accident record at the Mahindra Ford site at Maraimalainagar in Tamil Nadu. Nair says that MCCL, with a staff of 200 engineers, can only improve on account of the scrupulous balanced score card that it maintains as a highly advanced form of monthly evaluation.

• SAROSH BANA

Trial by fire



Jindal says his plant will be the lowest cost producer in the country

PAI ASHRANJAN BHAUMICK

The Jindals have finally got Corex technology to work for them. But will it help them steal a march over their peers?

You could call this a south side story. First Posco in South Korea, then Saldanha Steel in South Africa, and now Jindal Vijayanagar in south India. While most steel plants the world over use the proven blast furnace technology, these three companies have chosen a path the others have feared to tread: they have adopted the Corex technology.

Situated in the dry and dusty Bellary district in Karnataka, the Jindal Vijayanagar steel plant stands out in this largely semi-arid land. The first Corex module of the 1.6-million-tonne (MT) plant, which began humming early last month, has brought some cheer to the Jindals. A year ago the plant had encountered major technical snags and the future seemed gloomy. "But we've learnt from our mistakes," says joint managing director J.K. Tandon.

The problem that beset the plant was that when JVSL started trial runs in October last, the thermal balance went haywire. "Due to the northeast monsoons there was a chilling effect in the dome. But this was not because of the technology but largely because of peripheral problems. We discovered 236 small points and plugged them all," says Tandon. As the temperatures dropped, the hot metal solidified, creating one whole mass of iron. The company had to use blasting techniques to get the dome operational. Some of the parts could not be salvaged. Fortunately, the company could use other parts such as the refractories from the second module to get the first module up and running. "The major loss was of time. We were fortunate that the plant was insured. It was not so much a monetary loss but an opportunity loss," says chairman and managing director Sajjan Jindal.

According to Jindal, the plant has been operating "very smoothly" and has achieved about 70 tonnes per hour of hot metal production as against the rated capacity of 100 tonnes/hour. Some of the hot metal has been fed into the steelmaking facility and turned into hot-rolled coils. While the Corex module was shut for repairs the steel mill was fed with slabs sourced from outside.

Nevertheless, a comparative statement done among the three manufacturers (Posco, Saldanha, and JVSL) show the Jindal facility up in good light. The first fortnight when each of the plants were commissioned shows that the production levels and the melting rates have been on the rise and the temperature levels have been consistent. The percentage of silicon and sulphur content is posing a bit of a problem, which company officials justify "as a result of tinkering with



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the raw material blending". (The brown cloud that emerges from the chimney is of concern to many, but Jindal says the problem will be solved once the desulpurisation unit is in place).

Among the new generation private sector steelmakers the Jindals are slightly better placed. "Ours is a 21st century plant," says Jindal. Once the operations of the first module stabilise there is hope that the financial institutions, which took a stern stance towards all steelmakers, may open the tap and release funds badly needed for the completion of the Rs5,500-crore project. In this case, though the FIs sanctioned about Rs800 crore, they closed the tap once there were doubts about the feasibility of the technology. To give them a live experience of the plant's functioning, Jindal flew in key officials of ICICI and IDBI in the company's private airplane (the 3,500-acre plot on which the plant is situated also accommodates township and an airstrip). Indications are that the FIs' response has been "positive". However, JVSL officials prefer to save their hurrahs until after the money is disbursed.

JVSL needs about Rs500 crore of the Rs800 crore sanctioned to get its second Corex module and pelletisation plant operational. Expected to be complete in nine months, the two facilities will cost about Rs250 crore. Besides, the second converter and phase II of the oxygen plant (under Jindal Praxair), the desulphurisation unit, and other investments in the continuous caster plant (part of the integrated steel plant) will take up another substantial chunk of the disbursements. Moreover, now that Tractebel wants out of the 50:50 power joint venture Jindal Tractebel Power Co, which is crucial for steelmaking, acquiring the Belgian company's holding would cost Jindal around $55–60 million, which is next to impossible. He is hoping to rope in another partner (PowerGen of the UK is being touted as a possibility) who will pick up 49 per cent, thus taking the Jindal holding to 51 per cent.

JVSL is also seeking deferred repayment of interest on a term loan which has arisen out of the delay in the project. "We want to bring down our debt–equity ratio from about 2.5:1 to 1.5:1. We hope to convert about Rs600 crore worth of loans into optionally fully convertible debentures with low coupons. We have a good future in steel and we have requested the FIs to give us a breather. The restructuring of the debt:equity will certainly help them get an upside when the plant is fully operational," says Jindal.

Once the plant becomes fully operational, JVSL will consume about 1.45 tonnes of iron ore and 600 m^3 of oxygen (from Jindal Praxair) to produce a tonne of hot metal. In addition to 1.6 Mt per year of steel, JVSL will generate about 0.5 Mt of slag (used in cement manufacture) and 0.1 Mt of fly ash. Jindal is talking to various cement manufacturers to get them to set up factories in the vicinity to make use of this by-product. "They (the prospective manufacturers) need only bring in the clinker and produce cement," he says. It is said that talks are being held with L&T, ACC, Mysore Cement, India Cement, and Rajshree Cement.

"We have tried to build a plant that does not look like a steel plant. Once the entire integrated steel plant is complete our cost-effective facilities will make us the lowest-cost producer," says Jindal. He is confident of breaking even in 2000–01 and certain to make money the following year. The company made a loss of Rs29 crore on a turnover of Rs538 crore in the year to March 1999. The first quarter of the current year the company it has already bled to the extent of Rs25 crore on a turnover of Rs185 crore. It remains to be seen whether Jindal can control the haemorrhaging in the new millennium.

• ROY PINTO

The better alternative

The Corex technology is said to be economically and ecologically a better alternative to the conventional blast furnace route. It offers a minimum economical production capacity of less than 1.5 Mt per year at a low specific investment cost. Though the quality of the product is comparable to blast furnace output, the technology allows flexibility in terms of raw materials and production output.

All smelting reduction processes have one common advantage vis-à-vis the blast furnace, which is the possibility of the direct application of coal. Consequently, the cost-intensive and environmentally controversial coking process is done away with. Though there are several smelting reduction processes such as Hismelt, Dios, Romelt, and Ausmelt, Corex is the only technology that has reached the industrial application stage.

Just how does it work? First either pellets or lumpy ore are charged into a reduction shaft via a lock hopper system where they are reduced to about 93 per cent metallised direct-reduced iron (DRI) by a reducing gas moving in counterflow. The discharge screws carry the DRI from the reduction shaft to the melter-gasifier where the final reduction and melting take place in addition to all other metallurgical and slag reactions. Then the tapping of hot metal and slag is then carried out as in the conventional blast furnace route.

The non-metallurgical coal is directly charged into the melter-gasifier through a lock hopper system. The combustion with oxygen injected into the melter-gasifier generates highly efficient reduction gas. Due to the high temperatures (upwards of 1,000-C) prevailing in the dome of the melter-gasifier, the higher hydrocarbons released from the coal during devolatilisation are broken down into carbon monoxide and hydrogen, and other by-products like tar and phenol are destroyed.

The reduction gas exiting from the melter-gasifier mainly consists of carbon and hydrogen laden with coal fines, ash, and iron dust. The fines are removed from the gas stream in a hot gas cyclone and recycled. After leaving the hot gas cyclone, the reduction gas is then blown into the reduction shaft via a bustle, thus reducing the iron ores in counterflow. The top gas is cooled and cleaned in a scrubber, and can then be used for power generation, DRI production, or other heating purposes within the steel complex. •

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SBT tries harder

The Kerala's premier bank network, SBT hopes to cash in on the newfound resurgence in the economy

The "Travancore" in the name of the State Bank of Travancore (SBT) lends it a certain historical flourish which has endeared it to the Malayalee's wallet — whether within Kerala or beyond the borders of the state. With its wide network of 664 branches (549 of which are within the state) and 13,234 employees, SBT is a household name in Kerala. Formerly the Travancore Bank Ltd, the bank was sponsored by the erstwhile Government of the State of Travancore, and enjoyed the support and patronage of the Maharajah of Travancore. Its early chief executives were all Europeans with names like Ludwik Arenson and R. F. Wishart.

But how is it faring in the contemporary, more liberalised and less protected environment? SBT has just reported a drop in its net profit from Rs63.30 crore in fiscal 1988 to Rs43.45 crore in fiscal 1999, which is a fall of more than 31 per cent. That is a far cry from last year's good showing of a rise of more than 57 per cent net profits over 1997.

Is Kerala's premier bank on a losing streak? Far from it, says Vepa Kamesan, SBT's managing director. The main reason for the relatively off-colour performance last year was RBI's one-and-a-half per cent cut in the Prime Lending Rate (PLR), he says. Also, the general economic slowdown and industrial recession last year meant that for SBT, like many other banks, credit offtake became extremely sluggish.

Another significant reason for the drop in profits, a reason that few of SBT's directors would wish to announce from the rooftops, was the new RBI stipulation regarding provision for depreciation on investments. Last year SBT could claim around Rs63 crore as investment depreciation benefit. This year, according to its auditors, an amount of Rs2.70 crore — the excess provision for depreciation on investments (net of tax and transfer to Statutory Reserves) — was transferred to the Investment Fluctuation Reserve instead of Capital Reserve. Another Rs29.04 crore, representing the amount outstanding in Capital Reserve attributable to the excess provision of depreciation in respect of investments till last year, was also transferred to the Investment Fluctuation Reserve. This new accounting practice blew a great hole in SBT's profit levels.

Also chewing into profits was the fact that banking in Kerala, with its large NRI population, automatically means a higher cost of resources, thanks to the high-cost non-resident non-repatriable (NRNR) component of deposits. By end March 1999, NRI deposits constituted 41 per cent of SBT's aggregate deposits. With most of the NRNR deposits set to be retired this year, SBT's bottom line should be looking healthier in 2000.

SBT's attempt to recover non-performing assets (NPAs) has had some impact, but the bank has a long way to go to achieve RBI's dream ratio of under 5 per cent for new NPAs to net advances. At present, SBT's ratio stands at 10.80 per cent. Kamesan says the bank will bring this down to 8 per cent this year. Some of the attempts seem to have paid off. Recoveries of loans previously written off climbed from Rs1.09 crore in 1997-98 to Rs3.19 crore in 1998-99.

After last year's economic gloom, things seem to be looking up now and already trends in the new fiscal year are appearing encouragingly amiable for SBT. According to Kamesan, the first four months of the year has already seen a credit deployment of nearly Rs250 crore, almost a third of the year's total advances target of Rs750 crore for 2000. "This is a steady stream building up, unlike last year when the corresponding period was very dry," says Kamesan.

The thrust this year will be on a more focused business plan, targeting the personal banking sector (last year individual housing loans dished out by SBT grew by Rs54 crore) as well as the small and medium business sector. SBT has also been buoyed by its exposure to infrastructure projects in Kerala like the Cochin International Airport, NTPC's thermal power plant at Kayamkulam and the diesel power plant at Nallalam built by the Kerala State Electricity Board.

To fuel growth in retail banking, Kamesan says that SBT will open a string of boutique banks in Chennai, Bangalore and Thiruvananthapuram. As a lesson to his own staff about the dangers of taking a paying customer for granted, Kamesan almost closed his own account with an SBT branch because the staff there chose to be overfinicky about closing hours and did not use their discretionary powers to offer better service.

Better service — that surely is the key to success. SBT's corporate mission statement makes "excellence in customer, shareholder and employee satisfaction" a key objective. It also aspires to make SBT "achieve all-India stature with the best parameters in profitability, efficiency, systems and technology". A tall order for a pre-Independence banking veteran? Not if SBT never forgets the person who matters the most — the customer.

• K.G. KUMAR

SBT's financial profile

(Rs lakh)

	1997	1998	1999
Paid-up capital & Reserves	20884	35159	38110
Deposits	665280	765482	886439
Advances	365930	400082	425190
NRI Deposits	235798	279719	348547
Export finance	40806	38181	46845
Priority sector lendings	120943	130244	140855
Investments	270842	331427	439110
Total income	103291	113291	117203
Total expenses	88233	93059	102153
Operating profit	15058	19992	15048
Net profit	4025	6330	4335
Business per employee	79.72	89.81	99.97
Credit-deposit ratio (%)	57.90	62.83	56.83
No. of employees	12990	13049	13234
No. of branches	654	660	664

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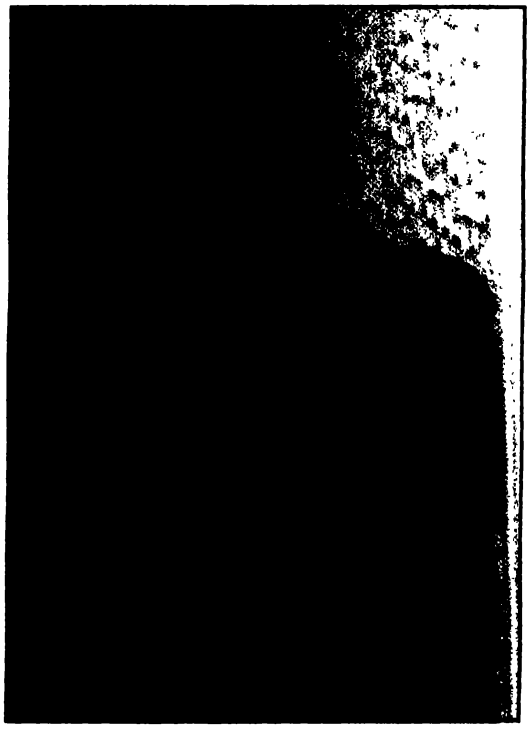
J&K Bank is using its good fundamentals to build a significant presence in other states

Its profile is as low as its net worth is high. Having made a mark in its home state, six-decades-old Jammu & Kashmir Bank is now spreading its wings, establishing centres in Mumbai, Delhi, Chennai, Bangalore, and Kerala. Not to be left out of the action in the money markets, the bank has shifted its treasury operations to the financial capital of the country. "We have a long history of profit-making decades and it's been more than three decades that we have consistently paid dividends. It's high time we speak out our achievements," says chairman M.Y. Khan.

And investors had better sit up and listen. For though the bank enjoys good ratios, its stock, listed on the major bourses, just isn't attracting enough attention. Its maiden equity offering last year at a premium of Rs28 per share brought the state government's holding down from about 80 per cent to 53 per cent of the bank's Rs48-crore capital. Fifteen months on, the stock is quoted below the offer price. "We are ahead in most parameters and the fundamentals are strong. Yet this has not reflected in the stock price," says Khan.

J&K Bank has about 390 branches. It registered around Rs9,400 crore in turnover during 1998-99, and hopes to close the current year at around Rs12,000 crore. Mobilisation of deposits have leapfrogged a third to Rs6,444 crore and deployment grew 37 per cent from the previous year to Rs2,154 crore. This compares favourably with the all-India average deposit growth of about 18 per cent and the average advances growth of about 12 per cent. A noteworthy exercise has been the bank's attempt to prune its non-performing asset ratio over the past couple of years — from 4.57 per cent to 3.75 per cent. "We have maintained a downward trend on this front and we intend to bring it down to 2.5 per cent in a year or two. It's not an easy task to control NPAs for a bank that has been around for decades," says Khan.

At the same time the capital adequacy ratio is on the rise, from 20.48 per cent to 24.48 per cent. This is far above the RBI-stipulated minimum of 8 per cent increasing to 10 per cent by 2000-01 — "The highest in the industry," boasts Khan. No mean feat for a bank that has its base in the trouble-torn state. "Even during the days of militancy we were operational and provided succour to the local people. The past three years has seen the bank post tremendous growth," he says. The bank is indeed pretty strong in the state, with most of the non-plan funds routed through itself.



UMESH GOSWAMI

Khan is proud of J&K Bank's CAR, "the highest in the industry"

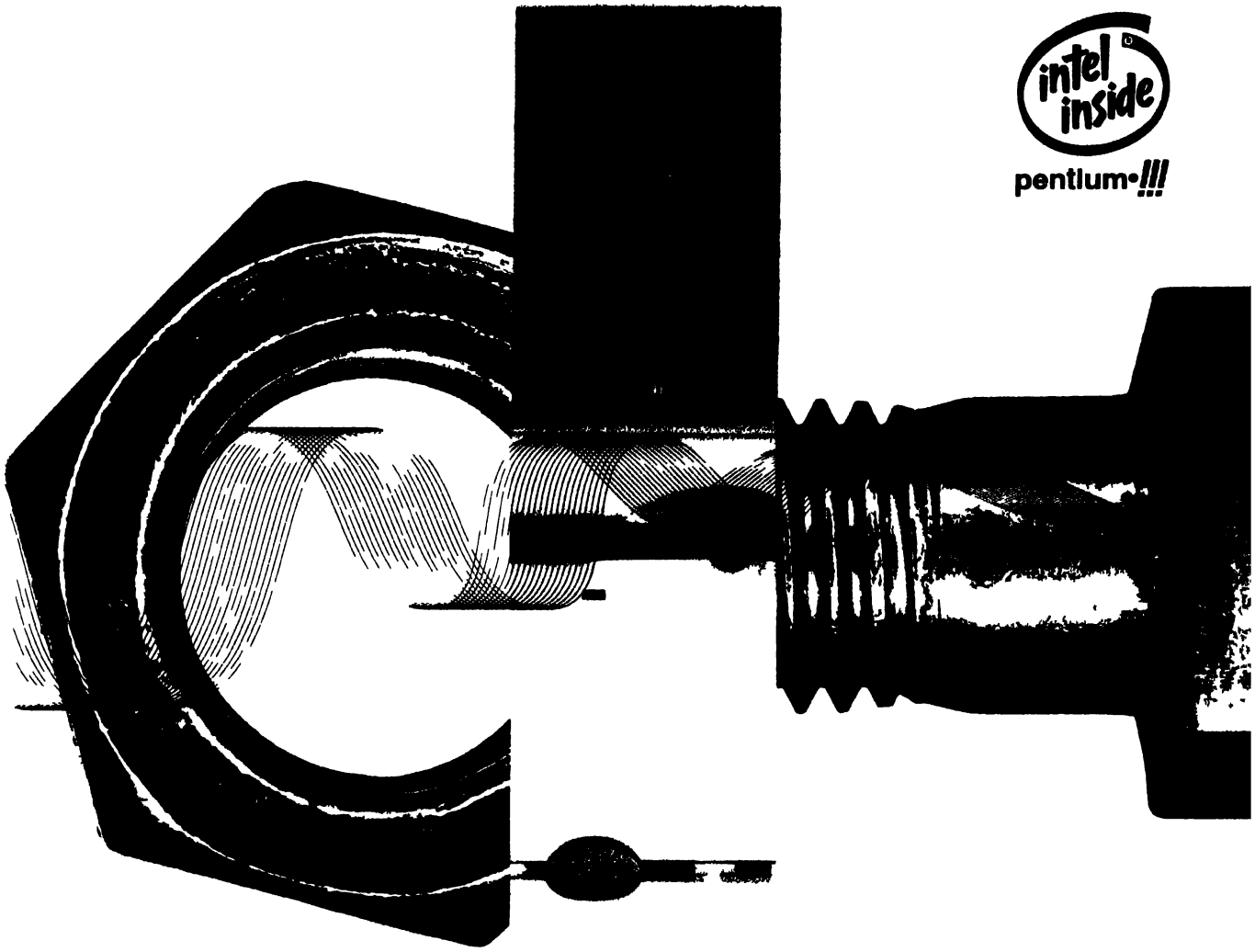
According to Khan, about 40 per cent of the bank's deposits are in the low-cost segment. It enjoys the "lowest" cost of funds at 7.6 per cent as against a prime lending rate of 12.5 per cent, giving it a fairly wide spread. Its administrative cost stands at 10.1 per cent (which Khan wants to clip to 8.5 per cent in the coming years) compared to an industry average of 17.7 per cent.

J&K Bank is among the highest taxpaying banks in northern India, and Khan wants to cut back on the tax outgo. "We are thinking of investing though mutual funds, which would fetch us tax breaks," he says. Though the bank conducts normal banking, "we are choosy in picking up clients." It finances large public sector undertakings and private corporates such as Reliance, Tata, and the Hindujas, to name a few.

Having ventured into retail banking, it has identified mutual funds and housing finance for future forays. According to Khan, the bank is also looking at asset creation in terms of acquiring apartments for staffers and purchasing commercial establishments in major cities. With a strong capital adequacy ratio, the bank is well placed to acquire other banks, but Khan isn't telling whether or which. To make the bank more contemporary, about 50 per cent of the business and 60 per cent of the branches are being computerised. Next year Khan expects to computerise 70 per cent of the branches and 80 per cent of the business. "This is to support a turnover of Rs15,000 crore by March 2001," he says.

Financially, J&K Bank is on a pretty strong wicket. On Rs694 crore earned by way of interest during the year to March 1999, its net profit was Rs85.45 crore. This translates into an earnings per share of about Rs18. The market price discounts the earnings less than two times. For the current year, Khan expects the bottomline to grow about 40 per cent, which would take the EPS above Rs25. At the current price of around Rs30, this stock looks like a steal. Besides, with reserves standing at a good eight times equity, a bonus issue in the coming year cannot be ruled out.

• ROY PINTO



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Taking a close look

Having got its act together, Deloitte Touche is making its moves carefully

It's ironical that global accounting firms which charge multi-million dollar fees to restructure their clients' businesses have often struggled to restructure their own. The Big Eight firms have been pruned down to the Big Five, a process of consolidation that's had its fair share of painful pangs. Indeed, they would have well been the Big Four if KPMG and Ernst & Young had not called off their alliance.

At the same time, as their clients increasingly seek new markets to invest in, they've had to expand geographically. And that's not been an easy passage especially when the market in question is a newly liberalised one like India. A highly fragmented accountancy profession coupled with a welter of archaic regulations, makes it a challenge. Deloitte Touche Tohmatsu (revenues: $11 billion), is amongst the last of the Big Five to get its Indian act together.



SANJAY BORADE

Archibald and Robert Campbell, Choksi and Gulmohamed (inset) have joined forces

"It's been a long process, longer than we'd imagined; but we're now ready for the next stage and that is to grow our practice rapidly. We see some big opportunities here," says Robert Campbell, Deloitte's regional managing partner for Asia Pacific. In an exercise that took eight years, four independent firms were brought together under a common banner, namely Deloitte Haskins & Sells. "We now have an integrated and cohesive presence in India," claims Campbell.

Why not operate under the same global name here as well? Simply put, they can't. The Institute of Chartered Accountants of India debars foreign firms from hanging their shingles. Fortuitously, Deloitte Haskins & Sells was registered as a partnership well before that restriction came into play. It was at the time represented in India by three firms — P.C. Hansotia & Co in Mumbai, Gupta Choudhry & Ghosh in Calcutta and Khanna Anand & Anand in Delhi.

Sometime in 1983, Touche Ross came looking for an Indian associate. "India was not hugely receptive to international business then, but it occupied a key position for us," recalls Archibald Campbell who was sent out on the India mission. It selected venerable Mumbai firm C.C. Choksi & Co to be a member of the Verein. A pioneer in tax practice, Choksi had a strong base of domestic clients that included the Mafatlal group amongst other Indian business houses.

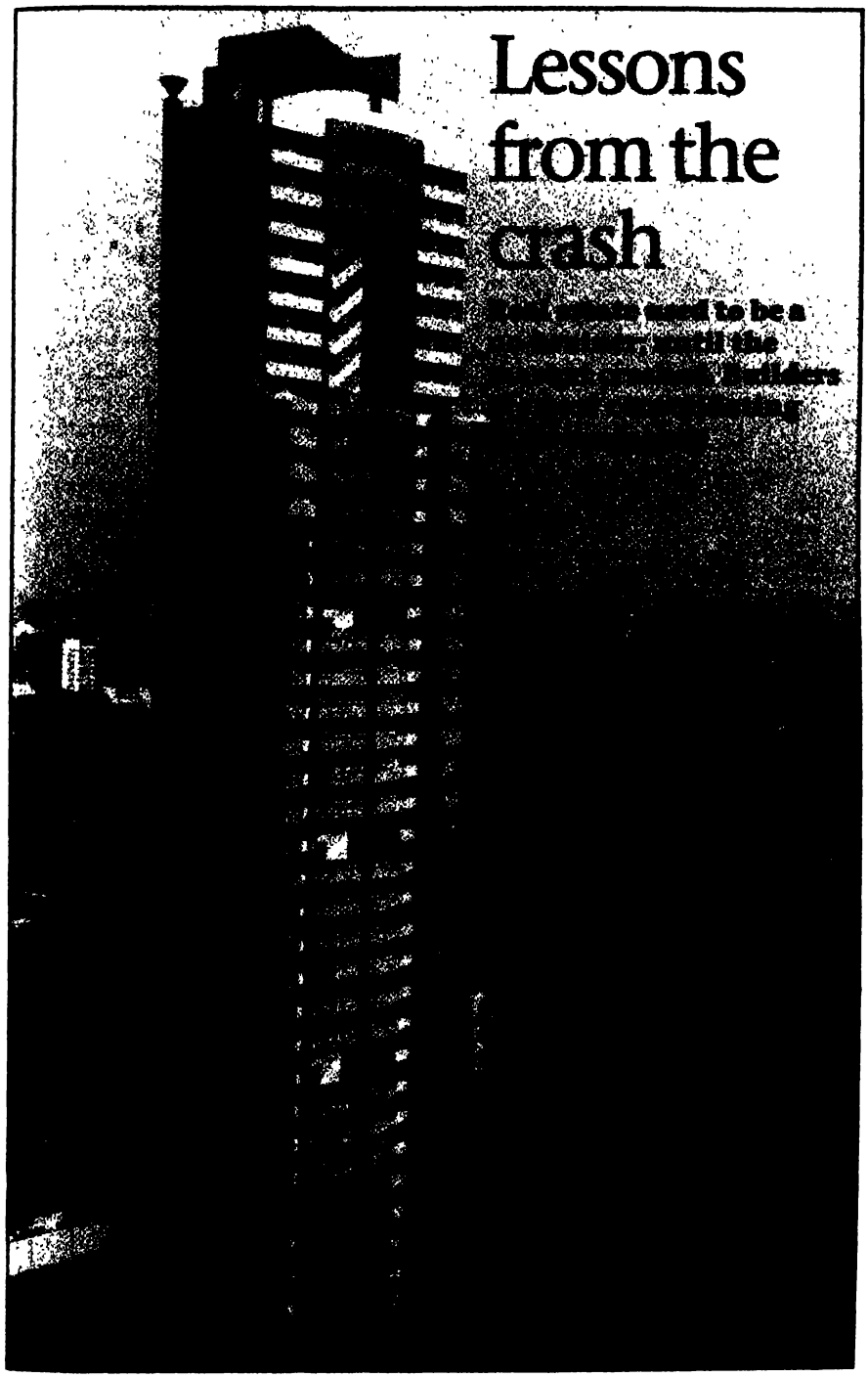
In the south, Touche's associate was Fraser & Ross, a 100-year-old Chennai firm (the Ross name was coincidental). Following the global merger of Deloittes with Touche in 1989, the arduous process of bringing together these disparate entities began. Today with 37 partners and 930 employees, Deloitte in India has, as Campbell puts it, "decent geographical coverage." Moreover, it has appointed Farid Gulmohamed, a director in its London-based corporate finance division, to assist Dilip Choksi who is national director, corporate finance.

This division was kicked off last year and a team of twelve put in place. "We're trying to build out expertise in niche areas," says Gulmohamed. These would cover the gamut from helping Indian firms globalise to assisting new multiplex ventures. Choksi also sees a huge potential in risk management services in which Deloittes has cutting edge, proprietary software, especially amongst banks and oil companies.

Curiously, consulting is not an area they plan to plunge into. "This is a big boys game," explains Choksi. "We want to make sure that the market is adequate and that we are equipped in terms of human resources before we come in." Other consultants feel that Deloittes is being too cautious by far in its approach. "They are pretty late in the game and I still have to get a fix on whether they have a clear long term strategy," says the head of one consulting giant.

But the DTT men say that their sound domestic tax and audit practice is a good enough base to build on. The example of Ernst & Young which made a big-bang entry but petered off is a telling reminder of the perils of helter-skelter growth. There are rumours that Deloittes is looking to link up with new associates (one name doing the rounds is that of S.B. Billimoria & Co), but Campbell stresses that "We're not interested in mergers just to bulk up. A boutique-type practice is fine with us."

♦ NAAZNEEN KARMALI



Lessons from the crash

For Niranjan Hiranandanni, life's been a roller-coaster ride of late. Time was when running a real estate business in Mumbai's up-up-and-away market, was a no-brainer. Now, sighs the managing director of Mumbai-based Hiranandani Constructions Ltd, only the staunchest can survive. With the slump in real estate, builders like Hiranandani have faced a reality check like never before. The old rules of the game gave way to the new practically overnight.

From a market where 60 per cent of the deals were funded by advances from buyers, today builders have to raise 99 per cent of their fund requirements on their own steam — and then wait for buyers to trickle in. There was a market where any property that was good, bad or ugly was saleable; now here is a market where only quality sells. Quite a change from the heady boom period. The change has crept into their vocabulary. Listen to Hiranandani: "We've become more consumer-driven," he says. The company concentrated only on those projects that were selling, such as the projects in the suburbs of Mumbai — Powai, Thane, Dahisar — to mention a few.

Prices were reduced by 35 per cent and financial institutions such as HDFC and ICICI had to be tapped for working capital. Today, business in volume terms has increased by 50 per cent compared to three years ago. According to Hiranandani, "In the last two months we have seen good sales. For most builders, in value terms, business has increased by 32-35 per cent. Our firm has seen an increase of 30-40 per cent in actual sales."

Today, according to industry sources, real estate prices are back to the 1993-levels, or at least are not more than 30 per cent lower than they were during the real estate boom period, 1994-96. This is fuelled partly by those who had postponed purchasing flats but are now buying. According to Mofatraj Munot, vice-chairman, Kalpa-Taru Construction Overseas Pvt Ltd: "In the last four months we have been selling 8-10 flats a month, compared to the 2-3 flats we were selling a month previously." Mumbai-based Kalpa-Taru Construction ranks among the top five builders in the city. Construction and real estate being a very location-specific business, Kalpa-Taru's activities are concentrated around Mumbai and Pune.

Though nationwide all the real estate markets were badly hit by the crash, Bangalore was the worst affected. Just when corporates had moved out of Mumbai (to get away from its exorbitant real estate prices) to Bangalore, the market crashed, leaving the Bangalore real estate market in limbo. When real estate prices in Mumbai were at a peak, corporates had moved out of Mumbai to other metros such as Hyderabad, Chennai as well as satellite cities like Pune, Nasik to mention a few. These markets are expected to register growth in the future. However, the Mumbai real estate market is one

where builders get the best return on capital as compared to other cities. "Mumbai will always be a good market. There will always be buyers here," says Munot.

The Mumbai real estate market is getting back on track with heavy transactions reported across the city in the last six months. Sample this: A 1,703 sq ft flat at Sumangal Apartments at Ridge Road in south Mumbai was sold at the rate of Rs23,547 sq ft. A 1,060 sq ft flat at Dariya Mahal at Napean Sea Road in south Mumbai was sold at the rate of Rs13,585 a sq ft. Another flat at Malabar Hill in south Mumbai of 1,580 sq ft was sold at the rate of Rs15,886 per sq ft. Transactions that have boosted the industry are also reported in the western suburbs of Mumbai. A 1,280 sq ft flat at Gulmohur Building at Pali Hill, Bandra, went for a total of Rs1.05 crore.



UMESH GOSWAMI

We've become more consumer-driven, says Hiranandani

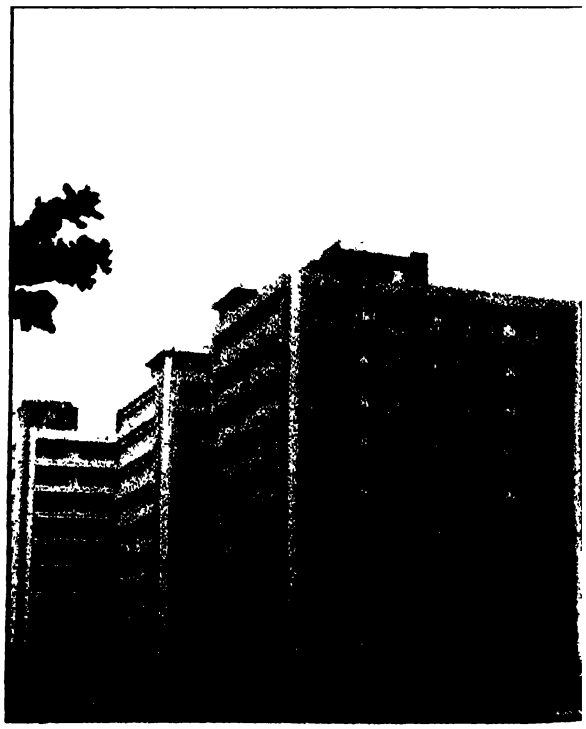
Having gone through the crash, builders have become wiser. The industry is now in a consolidation mode. Providing services, such as helping buyers with legal matters relating to registering documents and paying the stamp duty, has become an important part of the business. This is in addition to other services which have always been provided to customers — if a customer wants to put marble flooring as against mosaic used by the builder, or if he wants his electrical wiring done in a particular way, these changes can be made at the construction stage itself and provided by builders.

What happened in the slump period of the last two years is that the buyer profile has changed. It is the individuals and corporates who are the buyers in today's market, and not the investor as was the case three years ago. The consumer has become discerning and is not buying anything that is put across to him. Also, buyers are now more aware of the reputation of a builder.

Secondly, working capital requirements have increased, making construction companies change their way of doing business. In this industry, working capital requirements were not very high as most of the work was funded by buyers, genuine or otherwise. For instance, the builder would take a 20 per cent deposit from the buyer and then start work on the foundation. When he reached the first floor he would take a further 10 per cent deposit from the investor and build a few more floors, and so on. As sales in value terms was high, this could be done, hence keeping the working capital requirements low. In today's scenario, with both the value and volume of sales comparatively less, and no investors in sight, working capital requirements have increased. So there is the need for better financial management, or the interest costs mount. (This is one of the main reasons why the fly-by-night operators have downed their shutters).

Most builders have undergone a financial restructuring. "Previously our construction work was funded by investments," says Hiranandani. "Now with no investors, we have to get our working capital from banks," he adds. Financial institutions such as HDFC, IL&FC and ICICI, to mention a few, have started providing project finance to builders. At least 20-30 per cent of the construction cost is funded by financial institutions. Terms and conditions, however, vary on a case-to-case basis — the project size, project liability, the builder's track record, the quality of the constructions, whether projects are finished on time or not, etc. At HDFC, escrow accounts have been set up in the last one year. "This way there is more transparency and we know where the funds are being utilised," says K.G Krishnamurthy, GM-technical services, HDFC Ltd.

The Mumbai-based Jogani Constructions has rejigged its building strategy. While the company hasn't



Today only quality sells, a marked change from the boom phas

cut down on prices, it is trying to complete building projects on time. "Normally we would be lackadaisical. For instance, if a building would take a year to complete, we would stretch it to three years as we benefited from increasing prices," says Ramesh Jogani, director. Now the trend has reversed. The longer a building project takes to complete, it is the other costs, such as interest and contract costs, that increase. According to Jogani: "We completed our projects on time, managed to sell some of our flats, and whatever surplus money we made was used to settle our liabilities. Hence, we have managed to reduce our interest rate."



UMESH GOSWAMI

The Mumbai real estate market gives builders the best return on capital, says Mofatraj Munot

Mumbai-based real estate and construction company, Videocon Properties, a group company of Videocon International, is "going through a difficult phase, but we have been able to manage with internal accruals," says S.G. Kulkarni, managing director. "We can't sell off the business as such, so we are trying to dispose off the properties that we have. We are not planning on expanding in this business," he adds. The company has already pre-sold its three ongoing projects — two at Andheri and Kandivali, both western suburbs of Mumbai and one at Napean Sea Road in south Mumbai. "We just concentrated on these residential projects; we didn't embark on any commercial projects," says Kulkarni. At present, the company has a new project underway at Lower Parel in central Mumbai.



Direct marketing is being adopted by most companies. Web sites are also helping in brand awareness. Ever Shine Builders, Hiranandani Construction, K. Raheja, Kalpa-Taru, Tata Housing, to mention a few, have set up their own Web sites. These sites provide information regarding the construction companies and their various residential projects in different localities as well as various cities. If the customer is interested in any of the properties shown, they can e-mail the company from its Web site for more information.

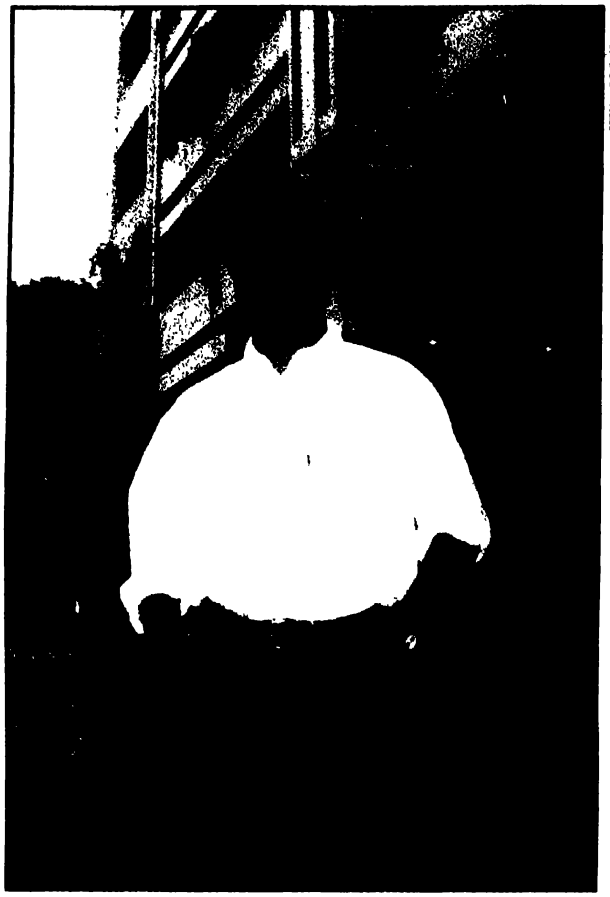
Besides the company background, details of properties and e-mail facilities to the company, the K. Raheja site, to mention one, is a comprehensive site providing useful information. There is information regarding loans and their interest rates from housing finance institutions such as HDFC, ANZ Grindlays, LIC Housing Finance and Citibank. News clippings relating to the industry and job opportunities at its ongoing projects are also given. For NRIs who want to invest in immovable property in India, there is information regarding foreign exchange control regulations, repatriation of investments, and the acquisition, disposal and letting out of property in India.

The buyer is now more price-conscious. So facilities like the swimming pool and club house, which were added benefits in the boom period, are turning out to be negative factors today. "The more facilities a building project has, it means additional maintenance outgoings of close to Rs4,000 a month for the buyer. So the buyer prefers to opt for a simple building rather than one with these facilities," says Jogani. Videocon Properties' Kulkarni agrees. "If the amenities are not being utilised, they prove to become a white elephant for the cooperative societies," he says.

A mere handful of builders were lucky to have come out relatively unscathed from the real estate crash. And needless to say, the more conservative have survived the free-fall. According to Kalpa-Taru's Munot, "We deal mainly with retail and institution clients like Sebi, LIC, Bank of Baroda, to mention a few. With this kind of reputation, not many investors approached us. Further, the company has strict rules regarding sale and purchase of flats. For instance, to

purchase a flat in a Kalpa-Taru construction, the buyer has to go through the company, i.e. Kalpa-Taru, and not any outside broker. And the same applies if a flat in an under-construction Kalpa-Taru building is to be sold." In fact, according to him, the company had at least six ongoing projects when most builders were experiencing a slump in the market: a 2.5 lakh sq ft development at Lower Parel, a 1 lakh sq ft residential complex at Sion, a 55,000 sq ft commercial complex at Sion, a new building which is coming up at Thane, a new residential phase of 7 lakh sq ft which is under way at Malad. In addition, the company has a new project coming up at Pune.

K. Raheja Constructions, one of the top five construction companies in the city, has a similar story to tell. "We are more user-driven than investor-driven. So the impact of the crash hasn't been so bad for us," says Kishore Bhatija, vice-president, K. Raheja Constructions. The company concentrated on existing projects and did not take up any new ones. Also, the company has always offered its projects for sale after they have been completed. This policy has paid off.



UMESH GOSWAMI

Interest costs can hit you if projects are not completed on time, says Jogani

A lot of construction work had started during the boom period. However, according to industry sources, at least 90 per cent of the projects weren't completed. With the realisation that there were no more investors, prices began to fall. But even this reduction wasn't good enough as the boom period had witnessed a 100 per cent increase in prices. "Today the market has hit such a rock bottom that nobody is getting the right price," says Ramesh Jogani, director, Jogani Constructions. In fact, Jogani is of the opinion that builders are now selling at prices below the construction cost. For instance, at a multi-storey building at Kandivali, a western suburb of Mumbai, the construction cost is a minimum of Rs1,800 per sq ft. And this is being sold at the rate of Rs1,500-1,700 per sq ft. At this rate, the property price is not taken into account, nor are the builder's interest or administrative costs. Hence, the builder is incurring a loss. He has no choice caught as he is in a Catch-22 situation. No one is willing to give him more for an unfinished product, and even if it is a finished product, they don't have the money to buy it.

Though the situation is a bit better now, margins are still tight. However, according to Hiranandani, what was witnessed during the boom period was a skewed market. While the prices were inflated on the one hand, it was government policies such as the Urban Land Ceiling Regulation Act (Ulcra), the Rent Act and poor foreclosure norms on the other that created the skewed market of licensing and controls.

Since Ram Jethmalani has taken over as Union urban development minister, he has done away with some parts of the Control Raj. He was instrumental in repealing Ulcra, the aim being to kick-start housing activities in the country. While this decision was taken at the Central level, Ulcra is yet to be repealed at the state level, since land is a state subject. Since the Act was repealed at the Centre in March this year, only two states — Gujarat and Tamil Nadu — have followed suit and repealed it. Other states, including Maharashtra, have yet to repeal the Act. Builders are unanimous that the Act should be repealed. This would bring real estate prices to a more realistic level.

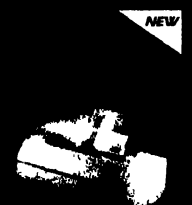
The recent budget has attempted to give a boost to the housing sector. According to the budget, the increase to 40 per cent in the depreciation rate on new dwelling units purchased by the business sector for its employees is now sought to be extended to partnership firms and professional bodies as well. Banks have also been directed to channelise 3 per cent of the incremental deposits to housing finance as against the 1.5 per cent earlier. Another proposal was to increase the tax exemption limit on the interest paid on a loan for a self-occupied property from Rs30,000 to Rs75,000. This has been touted as Yashwant Sinha's biggest incentive to housing finance.

The idea is to encourage middle-class investors to buy houses and thus boost the demand for housing finance. To enable housing finance institutions to recover bad loans faster, the budget also proposed changes in the foreclosure laws in this sector by amending the National Housing Bank Act. All this taken together is expected to increase fund flows to the sector. These proposals have already brought about a sea-change in the industry. Most builders are optimistic of the future and are expecting sales to increase in a year's time. The worst, they say, is behind them.

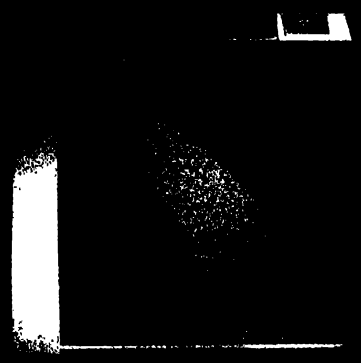
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What's on the menu?

Fast food restaurants' appetite for greater marketshare has been growing for some time now. Sample the price cuts on the menu



When Pizza India Ltd opened the first Domino's outlet in Delhi's Greater Kailash I in 1996 it was astounded by the response. Even though advertising had been restricted and the prices twice those of other pizzas, the outlet became so popular that Domino's delivery schedules went totally haywire. People even thronged to see how hand-tossed pizzas were made! The company had to quickly open another outlet in Greater Kailash II.

There are 15 Domino's outlets reaching out to 4.5 lakh households in the city now, and the company is happy with sales. "India is the fastest growing market for Domino's today. We are the largest international chain in India with 32 outlets. There is still scope for more outlets in Delhi," says Gita M.S. Agarwal, business manager, communications, Domino's India Ltd.

McDonald's, which also set up shop in 1996, has grown 30 per cent in volume terms over last year. The sales of its soft serve cone, priced at Rs7, are increasing ten-fold every month. "The market for fast food restaurants is about to take off," says Vikram Bakshi, managing director, McDonald's Delhi. According to studies conducted by McDonald's, the penetration of fast food restaurants is as high as 45-68 per cent with consumers spending 8 per cent of their annual incomes on eating out. Says Samir Kuckreja, technical advisor, Nirula's Corner House Limited: "It is generally accepted that the market is growing at a healthy rate of 20-25 per cent every year."

However, most of the MNCs are not going on an expansion spree. "We had much rather consolidate our base in one segment before we move on," says Bakshi. Hence, McDonald's will move on to Pune next year and then to Bangalore and Chennai. It is also planning more outlets for Delhi and Mumbai. Meanwhile, Domino's has opened outlets in Jaipur and Ahmedabad. And Tricon Restaurants International is planning to focus on Mumbai both for Pizza Hut and KFC, which Pankaj Batra, senior marketing manager, Tricon Restaurants International, admits is "a big gap" in their distribution chain.

However, in the metros, real estate is a bugbear. Batra says that this is one of the reasons why it has not been able to concentrate on Mumbai so far and has had to shut one of its five KFC outlets in New Friends Colony in Delhi. The other more significant hurdle had to do with adapting international dishes to Indian tastes. Says McDonald's Bakshi, "We had to change 75 per cent of the international product line in India because of the unstated ground rule 'no beef and pork products in India'." Besides, catering to the high percentage of vegetarian eaters too, was a challenge. Estimates show that 50 per cent of the people eating out are vegetarians. McDonald's, which started with only one vegetable burger and vegetable nuggets has now added chilli cheese burgers, *aloo tikki* burgers and vegetable sandwiches (at only some outlets). Domino's, too, has a lot more vegetarian toppings in India than in outlets abroad. "We had anticipated this so even though we began with only one vegetarian topping, now 50 per cent of our toppings are vegetarian," says Agarwal.

Pizza Hut too has opened a fully vegetarian outlet in Ahmedabad — the first for the product. Surveys showed that 95 per cent of Ahmedabadites were vegetarian, half of whom did not eat in restaurants which also served non-vegetarian food. Even Wimpy's, the oldest of the international chains, which started with three vegetarian burgers, now has eight. The company is also considering vegetarian outlets in Gujarat.

Industry even blames vegetarianism as the cause for KFC not gaining ground in India. Batra clarifies, "We knew about this beforehand. Research shows that one out of every four people knew that we served vegetarian food at KFC." However, they are now creating more awareness about the vegetarian component of their menu, says Batra. McDonald's too is taking care to tell its

customers that they have a separate kitchen for vegetarian food and also exclusive staff for its handling.

For these fast food chains, quality and sourcing of raw materials is very important. These restaurants consider everything from *gol gappas* to *chana bhaturas* as competition. So customers have to be convinced of the superior quality of their food. Says Bakshi, "In Delhi many branded restaurants like Nathus are competition and in Mumbai it is the *Udipi* restaurants." Besides, most of these fast food restaurants are competition for each other. The Indian fast food restaurant market is still in the initial stages of being segmented according to a restaurant's USP.



Domino's justifies its pricing because of its superior quality

What the price sensitive market is looking at right now is value for money and with most of these restaurants being in the same price bracket, competition is severe. Hence, the plethora of promotions: Pure vegetarian meals at discounted prices during the festival season and special offers during sports events like the World Cup and on Independence Day.

However, the real battle is still being fought over pricing. While McDonald's believes it is providing a good wholesome meal in a specially created environment, Domino's justifies its pricing because of its superior quality (olives are imported from Spain, pepperoni from Australia and herbs from America). Says Agarwal, "People have now got used to our quality, we don't hear them complaining about the price being high."

Nirula's, which pioneered the concept of fast food in Delhi in the 1970s, has a unique pricing formula. "If you take a McDonald's burger you pay extra for the fries. In Nirula's, we give you chips or mashed potatoes free," says Kuckreja. Though Kuckreja denies being affected by competition, it is evident that his company is feeling the heat. His company will now also manufacture and sell its own condiments and syrups. Also on the anvil are three-star hotels, to come up in Chandigarh, Ludhiana, Lucknow and Jaipur. "This is going to be our thrust area. Every hotel will also have our restaurants," says he

Pricing has also affected the UK-based "fine dining restaurant" Pizza PizzaExpress. According to project manager Vivek Suri, the company conducted a survey in Connaught Place (where it has its single outlet) and found that on an average executives in the area spent Rs75-100 on a meal in restaurants like Pizza Hut and Wimpy's. So Pizza PizzaExpress came up with special schemes: buy one pizza and a Coke and for another rupee get one more pizza of the same price, the upper limit being Rs150; prices of its zodiac meal were also lowered from Rs250 to Rs150. According to Suri, schemes like these have led to a 35-40 per cent increase in business and this single outlet now does business worth a lakh every day.

Even Vilas Pawar, chief executive, operations, for standalone restaurant TGI Friday's (which has a single outlet in Delhi) says that he needs 500 customers every day to be able to make money. "All TGI Friday's restaurants are spread over 5,000-7,000 sq. ft. The cost of setting up the equipment remains the same but we need more chairs (read customers) to make money," says Pawar. TGI Friday's introduced happy hours to counter competition from restaurants in five-star hotels. This led to brisk sales this year; and the company plans to open an outlet in Mumbai by next summer. All the fast food players are now hungering for greater marketshare. Will that be matched by customers' craving for what's on their plates?

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Betting on brand-building

Ad agency-*wallahs* are breaking out on their own to offer focused communication services for brand-building

Differentiation is a magic word in ad agencies. Understanding what makes a brand unique and attractively presenting that singularity is the key to many powerful advertisements. But increasingly, ad professionals are swearing by differentiation not just to design brand campaigns, but for satisfying their entrepreneurial drives as well.

As large agencies become integrated and straddle each facet of communication from direct marketing to outdoor advertising, niche outfits are coming up rapidly which offer focused services like Carat India in media buying, and Dhar & Hoon as a creative hotshop.

Last month, five senior ad professionals including the likes of Kiran Khalap, till recently chief creative officer of Bates Clarion and Anand 'Andy' Halve, who coined the *"Sunday ho ya Monday, roz khao anday"* jingle, chucked up their jobs in established agencies to start 'Chlorophyll', a brand and communications consultancy. Chlorophyll's other associates are the creative duo of C. Gangadharan Menon and Nalesh Patil, formerly with Ogilvy & Mather and lately with PSL Universal McCann and Manjunath Hegde, who headed account planning at Clarion. Chlorophyll is backed by the Mumbai-based Adfactors, a leading public relations and financial communications agency founded by Madan Behl and Rajesh Chaturvedi in 1982.

Its services range from devising entry strategies for new brands to developing communications and managing its post-launch brand equity. Revamping existing brands is also part of its charter. Notes Khalap, "The unbundling of services in advertising matched with our personal ambitions."

Chlorophyll's founders may surely be the best-known ad pros to come together in recent times for a maiden venture, but they are not the first. Only a year ago, two other ad-*wallahs*, Jamshed Vakeel, formerly creative consultant at R.K Swamy BBDO, and several other top agencies and Priya Raj, client services director at R.K. Swamy till May 1998, formed 'Momentum' to offer "strategic advice and creative work" for brands. Noted marketing professional Jagdeep Kapoor's Samsika is a brand consultancy addressing other aspects like pricing, distribution and sales strategy as well.



PALASHRANJAN BHAUMICK

Behl and Khalap are the best-known ad pros to come together in recent times for a maiden venture

Like Momentum, Chlorophyll will also charge clients on a fee basis as opposed to the standard 15 per cent commission that ad agencies make on billings. Says Vakeel, "In the commission mechanism, what drives agencies is boosting billings and using media like TV spots and press ads. In this scenario, you don't look at the brand." According to him, sometimes below-the-line activities like direct mailers may be more critical for a brand, but agencies consider them as "nuisance value, focusing on billings-led media". But with clients smartening up, some agencies are understood to be quietly replacing commissions by fees in some businesses.

If its first year is any indication, then potential for niche outfits like Momentum is growing. Its client list includes Alliance Capital, Procter & Gamble, Citibank Treasury and *The Sunday Observer*. From just the two founders in August last, its team has expanded to 17.

Interestingly, in this high potential market, newly-founded Chlorophyll has decided its limits by opting not to expand beyond its existing five people. "We want to offer undiluted advertising advice. This is unlike the typical agency structure where as you progress, you spend most of your time managing people rather than looking after the brand. The principle we want to stress is that brand management is an individualised craftsmanship," explains Khalap.

So, if Chlorophyll gets more business than the five can handle, main promoter Madan Behl simply says the "model will be replicated". The big challenge perhaps will be ensuring that the five advertising minds stick together. Khalap is quick to highlight the no-designation, hierarchy-free structure at Chlorophyll. "There is a lot of commonality of views in the kind of product we are proud of. One of the major bulwarks is being aware that there will be differences of opinion. We have decided to have tremendous formality at the professional level and are putting the processes towards that," he stresses. Clearly, the ad business is attempting differentiation in more than just a few ways.

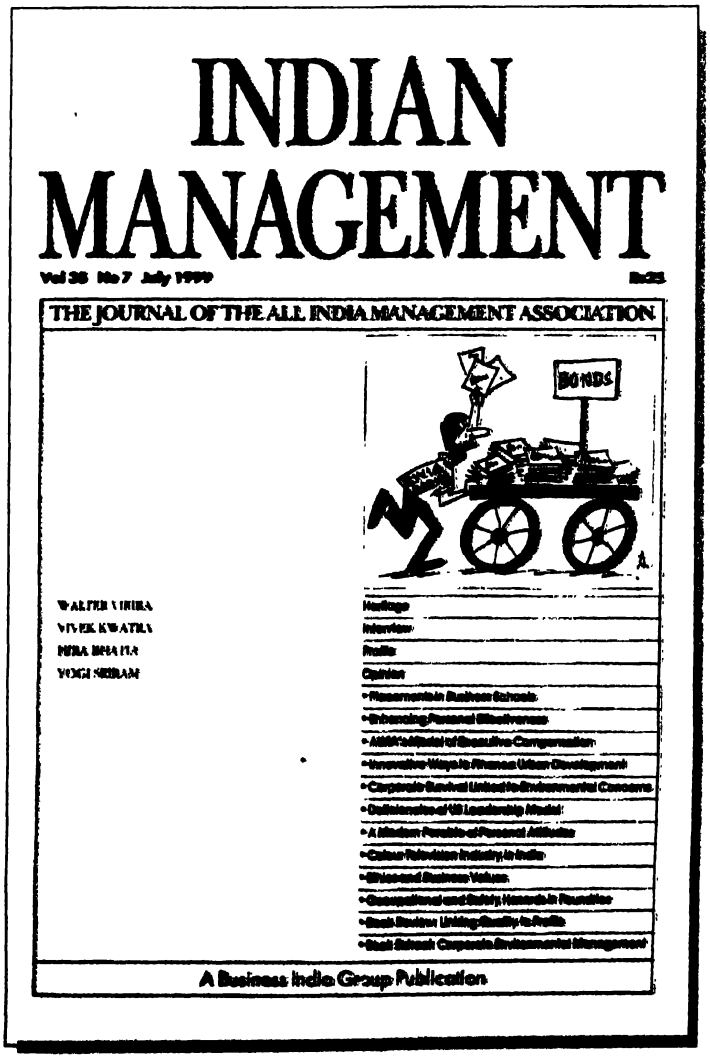
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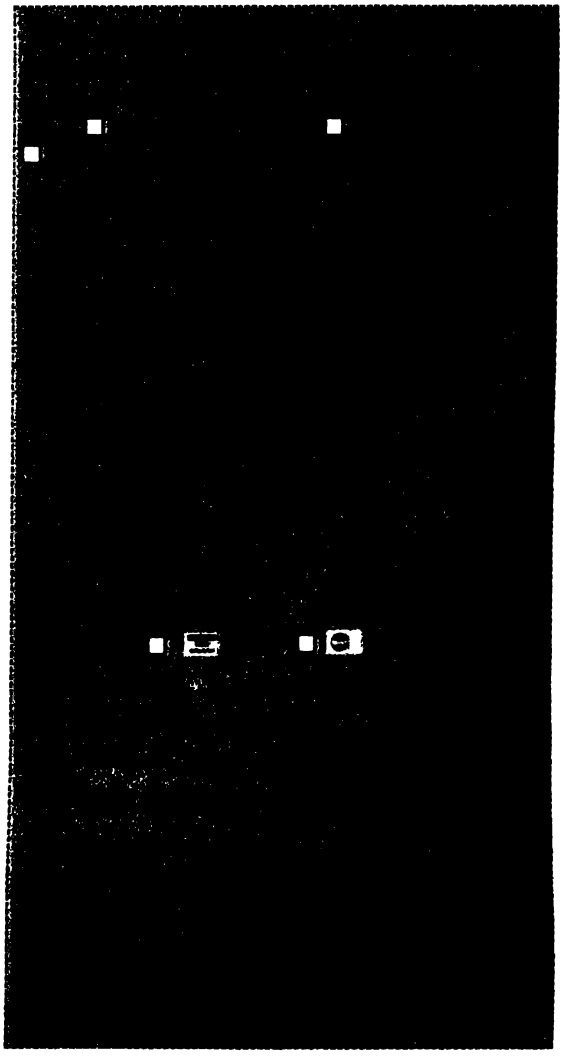
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STRIDES TOWARDS COMPETITIVENESS



Speech by Shri Y.C. Deveshwar, Chairman, I.T.C. Limited at the Eighty-Eighth Annual General Meeting of the Company on 30th July, 1999

It gives me great pleasure to welcome you for the fourth successive year after being elected as Chairman of your Company. These last four years have been challenging ones both for the Indian economy and for the Indian industry. India has witnessed five governments during this short period. The country is getting ready for yet another general election. The substantial erosion in the value of the currencies in Russia, South East Asia and Latin America intensified price competition for Indian exports on the one hand, and made imports into India attractive on the other, thereby adversely impacting the financial performance of many Indian enterprises. Investment sentiment has been at a low ebb. The growth rate of the Indian economy came down from 7.8% in 1996-97 to 5.8% last year. This rate of growth is woefully inadequate. According to an estimate of the Confederation of Indian Industry, even if the Indian economy were to grow at 7% per annum consistently over thirty years, the resultant per capita income would barely match the levels obtaining in Thailand today. **It is therefore evident that India must target a much higher rate of growth. Such an ambitious growth agenda in a fast globalising environment can only be realised through an accelerated reform process that makes the Indian economy globally competitive and thereby attract commensurate investment.**

There is therefore a crying need for a consensus on an economic reform agenda. The unanimous adoption of the Union Budget seems to have helped revive sentiment and there are early signs of economic recovery. The economic resilience that is being demonstrated during an uncertain political phase is indicative of the potential of a much faster rate of growth once political stability is restored and a second generation of reforms takes concrete shape. **The globalising market and the prospects of a higher growth rate whilst presenting opportunities, pose formidable challenges.**

As I had stated in earlier years, **competitiveness continues to be a compelling agenda for the Indian industry.** The task of transitioning businesses from a relatively protected environment to the rigours of a globalised market requires upgradation of capabilities to international standards. This implies a major change in mindset, backed by substantial investments in modernisation, scaling up and skills upgradation. Such strategic investments would naturally entail gestation drags that would severely test managements for their staying power and commitment to their businesses. **Business portfolios will therefore need to be rationalised and restructured for focused attention so that the deployment of scarce resources is confined to those areas that best match organisational capability with market opportunity.** Those who fail to overcome these challenges would succumb to the severity of competitive pressures, while those who succeed would be handsomely rewarded. It is therefore **imperative to shed preoccupation with the mere maximisation of tactical financial results, and instead focus on building strategic capabilities. A wholesome balance will have to be struck between the short, medium and long terms.** In line with such reasoning, and with the objective of fashioning a sustainable growth path, I am pleased to state that considerable progress has been made by your Company over the last few years.

PROGRESS IN RESTRUCTURING

Investment Subsidiaries

Further to the status indicated in the Report and Accounts, **the statutory approvals for the merger of your Company's investment subsidiaries have since been received and consequently, Summit and Sage Investments stand merged with Russell Credit with effect from 1st February 1999.** Russell Credit's Balance Sheet size now stands at Rs. 671 crores.

Investments in Edible Oils

Shareholders are already aware that ITC had exited completely from the management of this business by transfer of control of ITC Agro-Tech to ConAgra. Your Company's investment subsidiary Russell Credit, holds a minority interest of 17% in ITC Agro-Tech currently valued in its books at Rs. 53 crores. The market value of this investment as at 22nd July 1999 was around Rs. 71 crores. Further, the Mantralayam facility which was licensed to ITC Agro-Tech and the Mantralayam land are held in your Company's books at Rs. 104 crores. On the basis of the agreements among ConAgra, ITC Agro-Tech and your Company, **ITC would be in a position to disengage from these investments only after October 2000 and redeem these assets on the basis of their market values obtaining then.** Concurrently, the use of the ITC prefix in the name of ITC Agro-Tech would stand withdrawn.

Investments in Financial Services

Following the merger of ITC Classic with ICICI, your Company was to cause the disposal of ITC Classic's investments in the home finance and stock broking businesses. The home finance company has since been sold for a consideration of Rs. 10 crores and an agreement is in place to liquidate ITC Classic's interest in the stock broking business, pending requisite regulatory approvals. Further, negotiations with the Zurich Financial Services group are at an advanced stage for the ITC group's exit from the asset management business of ITC Threadneedle.

As a result of the disengagement from the erstwhile ITC Classic group of companies, your Company's investment subsidiary Russell Credit now holds shares of ICICI

valued in its books at Rs. 5.7 crores. The market value of this investment as at 22nd July 1999 was about Rs. 10.5 crores. In addition, there is an exposure of Rs. 350 crores in the form of preference shares of ICICI, redeemable at par in the year 2018.

Additionally, in the course of such restructuring, your Company and its subsidiaries have had to deploy around Rs. 360 crores in Real Estate projects. **Although the real estate market is currently depressed, it is expected that your Company would be in a position to redeem these investments over time at a reasonable surplus.** Towards this end, your Company is engaged in creating an organisation and assembling the requisite management skills to chalk out development plans for subsequent execution. Opportunities for partnerships with reputed international players are also being explored to maximise returns from these assets.

Investments in Paperboards

As a result of the infusion of capital approved by you last year, **ITC Bhadrachalam Paperboards Limited has now become a subsidiary of your Company facilitating closer management attention in line with the strategy of focus.**

Investments in Speciality Papers

In respect of speciality papers, efforts towards striking a partnership with a suitable international player to reposition this business on a growth path are continuing. This is likely to take time on account of the depressed sentiment in the international markets resulting from the deep recession witnessed in the global paper and pulp industry. In the meantime, **vigorous efforts at improving quality and cost standards are continuing to make this business more attractive for potential partners.**

The aggregate tie up of funds in what may be termed as non performing assets as a result of restructuring towards disengagement from non core activities, and on account of the excise pre-deposit of Rs. 350 crores, **amounts to around Rs. 1,260 crores. The associated drag arising therefrom needs to be kept in mind while viewing the financial results of your Company, particularly in the year under review.**

REVIEW OF OPERATING AND FINANCIAL RESULTS

The last year was yet another year of satisfying performance for your Company despite difficult trading conditions. In spite of business sentiment continuing to be depressed in the face of weak domestic demand, extremely competitive export markets and lacklustre industrial growth, your Company continued to post creditable results. **While turnover grew by 11% to Rs. 7,579 crores, trading profits, at Rs. 1,092 crores, increased by an even more impressive 25% to cross the one thousand crore mark for the first time.** After absorbing the additional interest burden as stated earlier, net profits at Rs. 623 crores represented a growth of 18.5% over the previous year. I am sure that **these results, seen in the context of declining inflation, atop substantial growth in profits in preceding years, is a source of satisfaction for shareholders.**

The last few pages of the Report and Accounts provide at a glance, the progress that your Company has made in operating and financial results. **The reserves have more than tripled since 1995 at Rs. 1,988 crores. This enabled the debt equity ratio to be contained at a healthy 0.56:1 despite the substantial increase in the size of the Balance Sheet from Rs. 1,640 crores in 1995 to Rs. 3,486 crores in 1999.** This has been made possible by significant improvements in operating cash flows. The capital markets have handsomely acknowledged the performance of your Company, with the growth in market capitalisation of your Company having significantly outperformed that of the BSE Sensex.

Your Board is committed to the creation of long term shareholder value. Each of your Company's businesses is in a different phase of development requiring distinctive focus and investment for the successful transition from a position of dominance in the regulated market of yesteryear, to a position of leadership in the highly competitive markets of tomorrow. **It will therefore periodically review the portfolio of businesses for sustainable competitiveness and take necessary strategic initiatives, including striking strategic alliances and partnerships, and even exiting from a business if the competitiveness objective is not attained with sustainability in a reasonable time span.**

The strengthening Balance Sheet of your Company will provide the much needed staying power in building leadership positions in the capital intensive hotels and paperboards businesses, as also in supporting investments in modernising the tobacco, cigarette and packaging businesses.

STRATEGIC PROGRESS IN CORE BUSINESSES

Cigarettes and Leaf Tobacco

Your Company has invested nearly Rs. 500 crores during the last three years towards upgradation and modernisation of its manufacturing and product development facilities. The new plant outside Bangalore, when completed at an estimated outlay of Rs. 450 crores, would provide state-of-the-art facilities for the next millennium. The first module, at an investment of nearly Rs. 100 crores, has now been completed and commercial production is scheduled to commence shortly. Similarly, the modernisation project at the Saharanpur plant has been completed at a cost of approximately Rs. 80 crores. **As a result of these investments, the internationally preferred high value "Hinged Lid" form of packaging, which constituted 2.4% in 1995-96 now constitutes 22% of your Company's production. Concurrently, filter cigarettes now constitute 69% as opposed to 60% in 1995-96, thereby providing your Company the benefits of the high value addition.** Such investment in brands will continue, with outlay of over Rs. 700 crores envisaged over the next 5 years. **Continuous improvement in quality and cost standards has further strengthened your Company's market standing.**

The export of leaf tobaccos suffered a setback during the year under review as a result of a glut in the international tobacco markets. The adverse impact on the farmer was exacerbated by overproduction by the farmer above the limits mandated by the Tobacco Board. Your Company purchased quantities beyond its immediate requirements as a measure of assistance to the farming community, who are viewed by your Company as long term partners in business. The adversity on the tobacco export front is likely to continue in the foreseeable future. In order to enhance the competitiveness of Indian tobaccos your Company continues to enlarge and upgrade its development and extension services to the farmers. Initiatives are also on the anvil with regard to development of

Oriental type of tobaccos, the cultivation of which is highly employment intensive and which has a growing demand in the international markets. Concurrently, **to support export efforts, modernisation plans to upgrade green leaf tobacco processing facilities at an outlay of nearly Rs. 350 crores are in hand for implementation over the next five years.**

Hotels and Tourism

Your Company commenced the hotels business way back in 1975. For reasons of competing demands from newer businesses such as financial services and edible oils, fresh investments did not take place at the desired rate in the 80s and the early 90s. As a result, Welcomgroup could not expand its presence to several high potential locations, which would have considerably strengthened the chain. In an endeavour to offer a more complete and attractive chain product to upmarket international and domestic business travellers, an expansion plan involving investments of over Rs. 1,500 crores in the next five years is under implementation. The Rs. 450 crore five star deluxe hotel project at Mumbai is progressing satisfactorily and is slated for opening in October 2000. The civil works for the 100 bay expansion at Maurya Sheraton in Delhi is nearing completion and is planned for opening in March next year. Preparations to commence construction of a second hotel in Mumbai on your Company's land at Parel and a five star deluxe project at Calcutta are at an advanced stage. These projects are likely to be completed by the years 2001-02 and 2002-03 respectively. I am also happy to advise you of the induction of a second hotel into the Welcomgroup chain in Delhi, which is at an advanced stage of construction. **On completion of the expansion plans, nearly 1,500 deluxe rooms will have been added to the Welcomgroup chain over the next five years.**

These investments, apart from providing an attractive growth opportunity to your Company, would stimulate large direct and indirect employment besides supporting substantial foreign exchange earnings from international travellers. Your Company views these investments as a significant contribution to the development of infrastructure for trade and commerce in the country. Although this capital intensive business carries gestation drags in the short term, the long term potential for earnings and real estate appreciation is attractive. In the globalised world of tomorrow India can acquire a position of leadership in the employment intensive Services businesses. It is expected that after your Company acquires a critical size and scale of operations in the Indian market it can successfully venture overseas and acquire a global dimension.

Packaging and Paperboard

Significant progress is being registered in the packaging business of your Company. You would recall my statement last year, that any in-house buyer supplier relationship within the ITC group is governed by a policy framework that provides freedom to the buyer to access the most appropriate inputs from the market. The in-house supplier has to earn the custom through superior quality and cost. You will be happy to learn that **the packaging requirements of the cigarettes business, that were earlier being sourced from overseas in pursuit of international quality standards, have now reverted to your Company's packaging business, with considerable gains in efficiency and substantial savings in costs and foreign exchange outgo.** This achievement has also provided the packaging business the impetus to grow exports of value added packaging to overseas tobacco companies. **While pursuing organic growth, opportunities for acquisitions are also being explored.**

You are already aware that ITC Bhadrachalam Paperboards Limited, now a subsidiary of your Company, has been engaged in the stabilisation of the recently capitalised 120,000 tonne capacity plant involving an outlay of nearly Rs. 675 crores. Unfortunately this new investment had coincided with a deep supply demand adversity, both in the domestic and global markets, intensifying price competition, thereby leading to severe erosion in margins. **Focused product development efforts together with early signs of revival of the paper and pulp industry give the hope that the turnaround of this business can begin to take place in the not too distant future.**

Attainment of international competitiveness by Indian enterprises would largely depend upon the interplay of two mutually supportive ingredients. The first one relates to the vitality of the enterprise in reshaping its business portfolio to align more closely with its unique capabilities, inculcating dynamism in leadership, investing in technology and human skills to nurture core capabilities, and evolving appropriate governance processes to enhance the wealth generating capacity of the enterprise. **The second relates to the vitality of the economy as a supplier of globally competitive inputs and resources.** In this context, the social and physical infrastructure in our country needs urgent and quantum upgradation. Equally, the institutional and policy framework needs to be progressively reformed to create a climate in which efficient entrepreneurial activity is rewarded and resources made more productive.

Industry and government therefore need to work in close partnership to fashion a policy framework appropriate to each industry. I would like to place before you an area related to the tobacco industry that requires urgent attention.

REFORM OF THE REGULATORY FRAMEWORK FOR THE TOBACCO INDUSTRY

Expansion of the tax base

It needs to be highlighted that cigarettes constitute a mere 20% of tobacco consumption in India by weight, and that fewer than 15% of the 200 million tobacco users consume cigarettes. Yet these 15% contribute nearly 90% of the revenues to the Exchequer from the tobacco sector. This form of consumption, apart from constituting practically the entire tax base of the tobacco sector, also supports export of cigarette tobaccos which contribute nearly Rs. 1,000 crores in foreign exchange earnings annually. **Although tobacco consumers in India aspire to upgrade consumption to the cigarette format in line with international trends, the punitive taxation regime both at the Central and State levels has made it unaffordable to the majority of tobacco consumers, thereby keeping the tax base narrow and much below its natural potential.** This has also resulted in the sub-optimisation of rural incomes and foreign exchange earnings from this sector.

An initiative towards expanding the tax base was taken in 1994 by reducing the excise duty on the micro segment from Rs. 120 to Rs. 60 per 1000. Resultantly, the tax base was expanded, with the micro segment growing from a level of 600 million cigarettes per annum to nearly 23 billion cigarettes in 1997-98. Over time the micro segment has come to be taxed at much higher rates, both at

Central and State levels, which has now brought about a major decline in this segment. The year under review witnessed an erosion of about 13% in this segment. Although this segment carries lower margins and has thus not materially impacted the financial results of your Company, the adverse impact on the growth prospects of the tax base is undesirable.

The government needs to moderate the approach to this potentially high growth segment in line with the stability provided to the other segments in the last Budget. It is to be noted that the elasticity of revenues to the Exchequer would be visible over time and would require a patient adherence to the policy of moderation in taxes.

The menace of contraband cigarettes

High rates of taxation, particularly at the upper end, have spawned a flourishing trade in smuggled cigarettes. Recent conservative estimates indicate that **smuggling in cigarettes is causing an unaccounted outflow of foreign exchange upward of Rs. 500 crores and the related loss of revenue to the Exchequer** that would otherwise accrue on equivalent domestic manufacture This contraband trade is estimated to be **growing at an alarmingly high rate upwards of 20% per annum.**

The menace of contraband cigarettes is well recognised the world over. **Since tax is avoided in the exporting country and evaded in the consuming country, given the high tax regime, smuggling of cigarettes has become lucrative and appears to be highly organised.** The policy framework related to the tobacco industry needs to take into account the growing menace of smuggled cigarettes and the resultant tax export which is detrimental to the Indian economy.

There are a number of avenues that can facilitate the flow of contraband cigarettes into India. The legal framework related to the import of duty free cigarettes needs to be reviewed as these legal channels provide the opportunity to be used as a cover for supply to the contraband channel. The legal channels that carry such risk of misuse are: the duty free import under the Baggage Rules, duty free shops at international airports, the duty free imports by agents on behalf of embassies and naval ships, and duty free import of cigarettes for re-export. There are hardly any retail shops in the metropolitan cities of Mumbai, Calcutta, Chennai and Delhi where contraband cigarettes are not openly displayed and sold in large numbers.

The recent announcement towards liberalisation of trade among SAARC countries has exacerbated this menace and provided another channel of entry of contraband into the Indian market. **The promotion of international brands in India coupled with the absence of a harmonised tax regime among the SAARC countries, constitutes a very real threat of accelerated growth in contraband flow and consumption.**

As an illustration, the excise duties in Nepal on king size cigarettes are one third of that obtaining in India. The import of international brands of cigarettes is also permitted in Nepal at attractively low rates of customs duty. International cigarettes with Nepalese health warnings can be found in the Indian market in growing numbers. Thus opportunities have been created for illegal tax arbitrage, constituting a growing tax export and posing a serious threat to the domestic industry and the tax base of the Exchequer from the tobacco sector.

I would make a strong plea that the ramifications of this serious issue are examined by the various arms of the government in conjunction with the tobacco industry in India with the objective of refurbishing the policy framework. It is evident that a combination of moderation in taxes, harmonisation of the tax regime among SAARC countries, plugging of the loopholes related to tax free imports and the strengthening of the enforcement machinery would go a long way in minimising the injury caused by such illegal trade in cigarettes.

On an experimental basis, your Company would be willing to contribute to the cost of strengthening the enforcement measures. This experiment can begin in the metropolitan cities of the country, whereby the seized contraband cigarettes are destroyed thus creating disincentives for the retail trade. The industry forums, with your Company's support, are in the process of making comprehensive and detailed recommendations to the government in this regard and on other measures related to the tobacco industry

CONCLUSION

Your Company is a leading Indian enterprise. **It has the wherewithal to significantly enhance its contribution to the Indian economy.** Over time it can become a major player of international dimensions and create growing value for its shareholders. The ITC Group currently represents a pool of high calibre human resource comprising 2,400 managers, 13,700 employees and an asset base of Rs. 4,700 crores. **Although your Company ranks high in terms of market capitalisation among Indian companies, and its size of operations in India is significant, it is still a tiny enterprise when viewed in the international context.**

The challenge of attaining international dimensions is at once humbling, inspiring and exciting. In the ultimate analysis, the cutting edge in the realisation of such an aspiration would be provided by the dynamism of its human resource. **The secret of creating a winning corporation lies in the appreciation of the potential value of this human capital and in the ability of the distributed leadership within the company to nurture and mobilise such talent.** I would like to acknowledge the contribution made by your Company's employees at all levels and seek your cooperation, as always, in support of their endeavour.

Before I continue with the agenda for today's business, I would like to, with your permission, pay a sincere tribute to the valour of the armed forces of our country who fought so bravely to preserve the territorial integrity of our secular nation. I would now request you to join me in observing a brief silence in the memory of those who made the ultimate sacrifice for this cause

I.T.C. Limited

This complete text of Chairman Y. C. Deveshwar's speech has been published in the interest of all shareholders. Please write to Corporate Public Relations Dept., I.T.C. Limited, Virginia House, 37, Chowringhee, Calcutta 700 071 for a booklet of the speech

Ice dreams in blue

A US ice-cream manufacturer starts selling its high-quality, high-priced dairy desserts in India

As far as launches go, it was as low-key as it could get. After test marketing in Delhi for a year, the $500-million Wells' Dairy Inc of the US introduced a comprehensive range of Blue Bunny ice-creams in June this year without any media blitzkrieg or high-profile promotions. "The low-key launch was deliberate," says G.S. Malik, NRI owner of Sno Shack Frozen Foods, the sole marketing partner of Wells' Dairy Inc in India. "We wanted to make sure that we had our distribution in place before we became bold about our marketing," he adds.

According to Malik, the distribution network is now is place and, in the last two months, Blue Bunny ice-cream has also been launched in Ludhiana and Chandigarh. Next in line is a launch in Mumbai in the next two months, which will be followed by smaller towns in Maharashtra and then Bangalore. "We want to concentrate on one major city in a region first and then move to the smaller towns around that city for greater penetration," says Malik.

It took Sno Shack more than a year to introduce the entire Blue Bunny range primarily because of the time required to set up the distribution network. One main reason for this complex distribution chain is that all 50 Blue Bunny varieties (including novelties, family packs, fat-free sherbets, and flavours and yoghurts) are imported readymade from America. The ice-creams follow a long route both in America and India before they reach the retailer — they are trucked from Iowa to New York, from where they are shipped to Mumbai. In Mumbai they are offloaded at a cold store and then trucked to different parts of the country. All through this journey it is vital that a proper cold chain is maintained so that the ice-creams remain fresh.

Says Malik, "We were apprehensive about the cold chain in India, so we made absolutely sure that we got the right transporter." The company also ensured that all the trucks had two generators instead of one in case of any breakdowns on the way and even now the ice-creams are only offloaded at the cold store in Mumbai after 1 a.m. because the outside temperature is lowest then. Even at retail outlets, Sno Shack has provided special freezers and generators so that the erratic power supply can be dealt with effectively. Moreover, even Wells' Dairy wanted to be absolutely certain that the cold chain was up to the mark before it decided to get its ice-creams to India. International sales manager Dan Duran says, "Wells' Dairy is a family-owned operation and believes in maintaining set standards. We had to be absolutely sure about the standards of the cold chain before we started exporting to India."



Dan Duran, Gregory Stone, and H.S. Malik are here to get the Blue Bunny hoppin'

Add to this the fact that Wells' Dairy is not a very old company in the export business. Even though it has been making ice-creams since 1913, it started exports only eight years ago to countries like Mexico, Japan, and Malaysia. It is now planning to use the India operations to expand in the region and is also going to launch its ice-creams in Thailand soon.

However, despite the low-key launch, Malik and Wells' Dairy are extremely satisfied with the "very good response" that the ice-cream has got in Delhi, a market chosen for the launch not only because it is the largest ice-cream market in the country (24 per cent of a total of Rs500 crore), but also because customers here are very finicky about quality and pricing. Asia sales representative Gregory Stone says, "The hits from India on our Website has increased manifold since we introduced Blue Bunny in this market. People want to know when we are coming to their city and we are also getting a number of distribution inquiries."

Sno Shack, however, is being fussy about the retailers that it chooses. At the moment it has 34 company-set-up counters in Delhi and is hoping to increase this figure to 100 in the months to come. "Our strategy is somewhat different. Unlike other companies, we do not give any replacement of stocks. We believe that if a retailer keeps our stock it is because he is totally confident of selling all of it," says Malik.

What Malik is also clear about is that he does not want to outgrow the market. "We want people to walk an extra mile to get a Blue Bunny ice-cream," says Malik. So confident is the company about the quality of its product that it prefers to retail at multi-brand counters and isn't apologetic about its high pricing (ranging from Rs15 for an ice candy to Rs315 for a half-gallon yoghurt tub). "The Indian consumer is becoming very discerning. He does not mind spending extra for good quality," says Stone.

• PUNAM THAKUR

Ten flyovers and a city

Chennai takes the same flyover route as Mumbai



How are polls and flyovers connected? By votes, obviously. Come election time and states embark on high-profile schemes which can be completed quickly. Barely has the furore over Maharashtra's ambitious flyover scheme died down than the spotlight shifted to a similar adventure in Chennai.

The Chennai Corporation has given its nod for a 10-flyover scheme for the city. Behind this move is the city's mayor M.K. Stalin, who also happens to be son of Tamil Nadu chief minister and DMK leader M. Karunanidhi. When Stalin conceived of the project, he had more than just welfare of motorists at heart Heir apparent of the aging DMK chief, Stalin had to prove his mettle in Chennai before being given an opportunity to rule the state, if DMK won in the 2001 assembly elections.

This compulsion took Stalin overseas — to study civic systems in other countries. Subsequently followed his blueprint for the future, 'Singara Chennai' (beautiful Chennai). The highlight of the scheme is the Rs115-crore flyover project.

Stalin hit upon his dream project when he thought of traffic congestion in the city. And Chennai Corporation immediately chalked out a mega plan for building one big flyover and nine mini-flyovers in the heart of the city. In June 1998, consultants were hired following which the Corporation gave its nod. The main flyover — Perambur — is to cost Rs21 crore and the nine mini flyovers Rs94 crore. Hudco and the Tamil Nadu Urban Finance and Infrastructure Development Corporation (Tufidco) will provide the funds.

Not to be left behind in the funding spree is Chennai Corporation. In its 1999-2000 budget, it allotted Rs65 crore towards construction of bridges and flyovers. Did the Corporation go out of its way to make the project a success? Reveals R.S. Sridhar, chairman, standing committee (revenue and finance): "Last year, only Rs5 crore was allotted to the bridges department of the Corporation. It was interior roads which got the lion's share of Rs45 crore."

There is little that has been left to chance. Early this year, work began at a frenetic pace so that the project could be completed on schedule by August 2000, much before the 2001 assembly elections. Stalin reviews the project on a weekly basis. Also, two special officers have been asked to monitor the progress almost on a daily basis. The Corporation commissioner, P. Kolappan, also keeps a tab.

Expectedly, the project has come under flak from many quarters. Mini-flyovers cannot cope with burgeoning vehicles, says an expert. Also, once a flyover is laid, there is little one can do to modify it to meet future requirements, he adds. As 100 vehicles are added everyday to the city's 10-lakh vehicle force — mostly two-wheelers — traffic regulation might go haywire, the expert warns. He advocates longer term solutions like changes in road use patterns.

Urban planners say that the project could have been staggered over a longer time-frame to make it more manageable. In fact, the Chennai Metropolitan Development Authority (CMDA) was not taken into confidence when the idea was mooted. There is no mention of mini-flyovers in the Master Plan drafted by the CMDA. *Madras Musings*, a city magazine, too has been inundated with letters from angry citizens. There has hardly been any debate or interaction on the utility and viability of the project. Also, the Corporation did not give enough thought to better alternatives.

However, not everyone is opposed to the project. Political parties in the state have refrained from making it an issue. DMK baiters admit, albeit grudgingly, that the entire process — from raising tenders to granting contracts to reputed construction companies — was transparent and above board. Neither was there any murmuring about corruption. The coordination between the Corporation and the Chennai Metrowater organisation has also been appreciated. Wherever need arose, the latter relaid drinking water and sewerage lines to avoid digging up the land around the new flyovers. Be that as it may, the final vote of confidence for the project will be cast only much later — at the time of the 2001 polls.

MOHAN RAMAMOORTHY



A new cuppa

Duncan Industries' Terai tea project is finally flowering

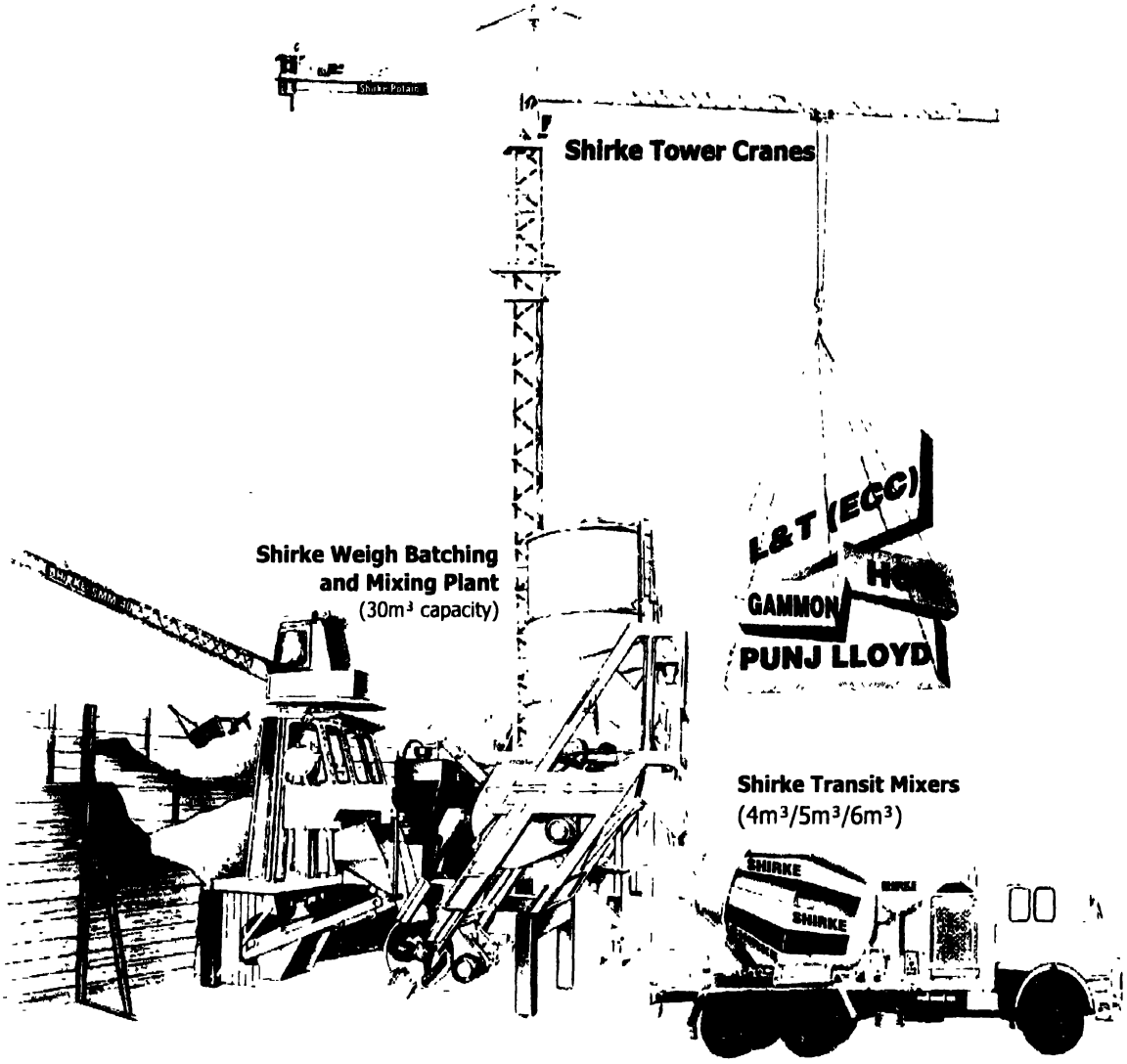
When in 1989 Duncan Industries embarked on its ambitious Terai Land Project, few within the industry believed that it would be a success. A unique project which sought to grow tea in a non-traditional tea area — the drought-prone agricultural belt of West Dinajpur and Jalpaiguri in north Bengal bordering Bangladesh, it was an experiment which turned out for the best.

Tea is one of the more profitable industries in the country and one which enjoys huge domestic consumption in addition to export possibilities. It has always looked for growth. With constraints on land, especially in the hilly areas where it has traditionally been grown, there has been pressure on tea companies in the last decade, which witnessed several boom phases, to produce more. The shift in focus from flavour to cuppage and strength, two of the most important characteristics of tea in recent times, marked a change in tea-growing and led to unusual locations being tapped for cultivation.

When Duncan Industries conceived the idea of setting up gardens in unknown territory in the 1980s, it took a risk of sorts. Other industrial groups, one of them being the RPG group, which thought along similar lines, backed out. The disadvantages the terrain presented at that point of time were enormous. For one, land acquisition was a problem, as the land there was primarily agricultural land, though most of it lay fallow. Extremities of weather and poor drainage systems made cultivation difficult. Above all, the costs involved in setting up a tea estate from scratch and the long-term gestation of 7–10 years discouraged fresh investment.

Currently in its seventh year since planting, Duncan's Terai project has broken even and started making profits, and is set to recover its investment soon. The area under tea is around 700 acres spread over three gardens and the expected crop for the current financial year is 1.4 million kg, 40 per cent higher than the previous year. The optimal yield is 3,800 kg per hectare, which according to DIL managing director Bhaskar Banerjee "compares favourably with the optimal yields in Assam (the country's most profitable tea growing area) and is more than double the national average of 1,800 kg per hectare". Indeed some of the oldest areas planted in the early 1990s have already given yields of 4,000 kg per hectare.

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Mahesh Gurbaxani, vice-president of the tea division, is looking at higher crop figures for the future through additional planting and expansion. "Our focus is on maximum productivity and we have used the best clones. Over 90 per cent of the tea area has been planted with vigorous clonal plants which will ensure high yields and superior quality of end produce," he says. Expansion is an ongoing exercise, with DIL constantly scouting for more land. Another 60 acres are expected to be added to the Terai project this year.

For DIL the obvious advantage is its existing presence in the neighbouring Dooars. The veteran tea-grower is a dominant presence along with Goodricke in the Dooars in North Bengal. The majority of Duncan's gardens are in the Dooars, which follows Assam as a major tea producing region. Almost all the tea produced here in the foothills of the eatern Himalayas goes into tea bags, a major growth segment in the industry.

The tea business accounts for a quarter of DIL's Rs1,000-crore turnover but close to half its Rs70-crore net profit. The Terai project is part of the company's strategic focus to increase packaged tea sales. With its 7 per cent share of this market (the average market share is under 2 per cent), it comes a distant third after Hindustan Lever and Tata Tea. Almost all of the Terai production goes into the company's packet teas. The gains, according to Gurbaxani, are to the extent the company saves by way of not having to buy from auctions. While no value assessment has yet been made of the Terai tea, since all of it is for captive use, realisations, says Gurbaxani, should be good as the quality of leaf is good.

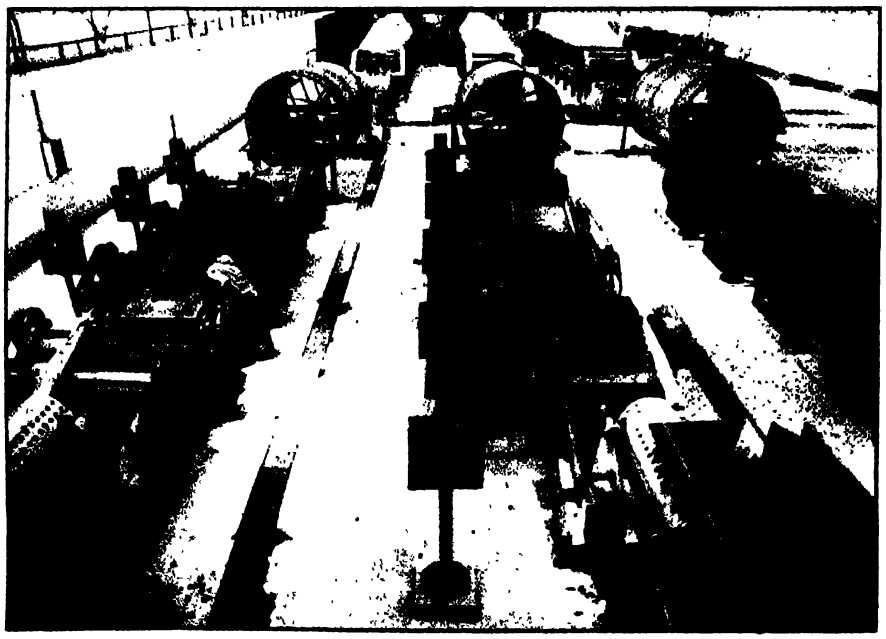


Virtually the entire Terai production goes into Duncan's packet teas, says Gurbaxani

"It is purely DIL's dogged pursuit of the project that has made it work," says general manager (projects) Navin Huria. The factory at Golgach, one of the Terai gardens, is highly automated and is one of the most modern in the region. "One of our advantages is that the Terai gardens have none of the disadvantages that older and inherited gardens present. The Terai gardens have been carefully planned all through and are most modern," says Conrad Dennis, manager at Golgach. Dennis adds that DIL's Terai project has not only boosted the company's tea production but also developed the area as a whole. Following DIL's example, small tea producers have set up their units around the area and DIL augments its crop by buying leaf from them.

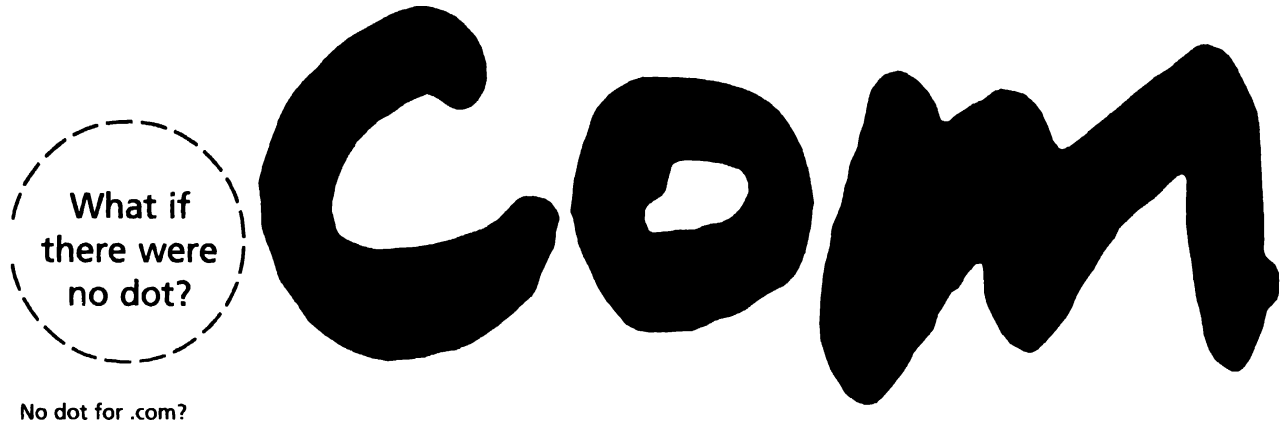
Local farmers form nearly 90 per cent of the Terai project's labour force. The agreement at the time of the acquisition of the land was that the locals would be absorbed into the company and taught skills. Interestingly, in a reversal of the traditional roles, the plucking is done entirely by the men.

Duncan has still to recover the entire Rs20 crore that it deployed in the project. That, according to company executives, should take another couple of years. "The first seven years are tough, after which profits are phenomenal," says Banerjee. The cost of production has not been worked out yet, but is estimated at around Rs35–40 per kg. Teas of similar quality offered at the autions fetch around Rs55–60 per kg, Profits notwithstanding, some of the drawbacks need to be ironed out. For one, as the plots are not contiguous (the land was acquired in parcels over a period of time), there is loss of leaf as well as logistical problems. Drainage is expensive because of the low-lying land. Bangladeshis, right across the border, often come in not just looking for work but to learn and plant tea bushes across the border. But the gains have largely outweighed the drawbacks. The teas look healthy and are normal CTC varieties. If yield levels are maintained, North Bengal could emerge as one of the largest tea growing areas in the world.



State-of-the-art tea plant at the Terai Land Project

MADHUMITA BOSE



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Of pumps and turbines

'une-based Kirloskar Brothers has used its expertise in pumps to seize the opportunity in small hydro projects



The Aliyar dam site where KBL is setting up a small hydro power project

arge hydroelectric or coal-based thermal power plants, typically of 500–1,000 MW capacity, have been the traditional means of power generation in India. But setting up a hydel or thermal plant raises a host of environmental and sociological issues, not least the submergence of flora and fauna, deforestation, displacement and rehabilitation of thousands of villagers, pollution, and daily rising operating costs (as the cost of fuel and its transportation goes up). As a result, increasing attention is being paid to non-conventional sources of energy and one of them is small hydro projects up to 10 MW).

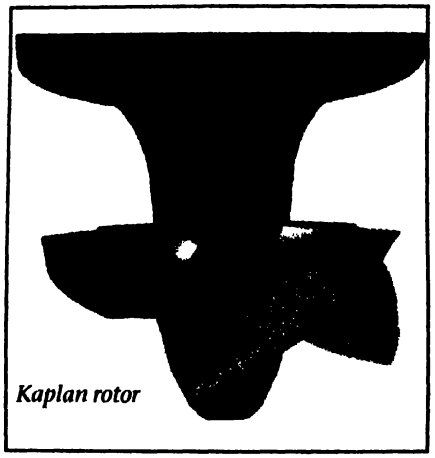
Two years ago Pune-based Kirloskar Brothers Ltd (KBL), India's largest manufacturer of centrifugal pumps, made its foray into turnkey erection of small hydro power projects. In September 1998 KBL signed an agreement with Ebara Corporation of Japan, the world's second largest manufacturer of pumps and turbines, to manufacture that company's range hydro turbines up to 10 MW capacfor a single unit.

The estimated worldwide potential of small hydro projects exceeds 180,000 MW, of which the installed capacity is 41,000 MW. The estimated potential in India itself exceeds 10,000 MW, but the installed capacity here is less than 500 MW. The average cost of installing 1 MW of small hydro is Rs3–5 crore. "Even though the cost of the hydro turbine may be a fraction of the installation cost, we still have a market worth a few thousand crores. That's definitely big business and is one of the reasons why we've entered this business. We hope to tap this potential provided the state governments and state electricity boards (SEBs), who will be our major clients, take quick decisions," says Sanjay Kirloskar, chairman and MD of KBL.

According to KBL there are 2,687 prospective sites for small hydro projects in 26 states with an actual potential of 6,619 MW. "These are sites identified by the SEBs and the Ministry of Non-conventional Energy Sources (MNES). The real potential in all the states is easily far greater than 10,000 MW," says vice-president (corporate-strategic planning services) Aniruddh Kathavate.

Small hydro projects possess many advantages compared to large thermal or even hydel plants, not least their non-consumptive use of water for power generation, utilising only its gravitational potential. Thus the water discharged from the power station is clean, unpolluted, and therefore suitable for irrigation. Their biggest advantage is that they have the least impact on flora and fauna; they do not cause largescale deforestation, submergence, and problems of rehabilitation. Also, the initial cost of setting up a small hydro power station is low – Rs10–15 crore – and therefore affordable for many private companies and even SEBs. Further, the gestation period is minimal — 15–18 months compared to 20 years for large dams like the Sardar Sarovar Project. Because of the long gestation period of large projects, there are normally huge cost overruns and the cost of large hydel projects usually doubles or triples during this period, which is not the case for small hydro projects.

The operating costs are also low as the fuel is free and the energy produced more economical — 30 per cent lower than the cost of power produced by a thermal power plant, for example. What's more, small hydro plants also last longer — between 30 and 50 years. "For instance, the first small turbine generator of 137 kW set up in the Darjeeling hills in 1897 is still working," says Kathavate. The other advantages are that no CEA clearance is required for projects worth up to Rs250 crore and no environment clearance is required for projects up to Rs50 crore. Also,

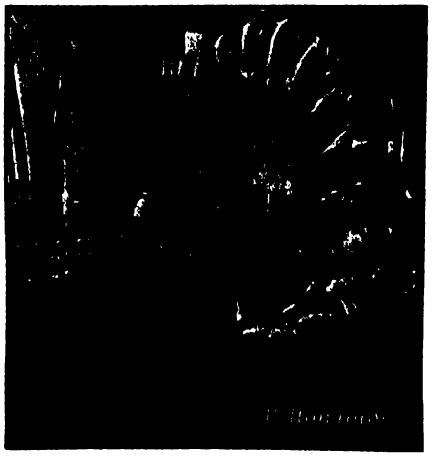


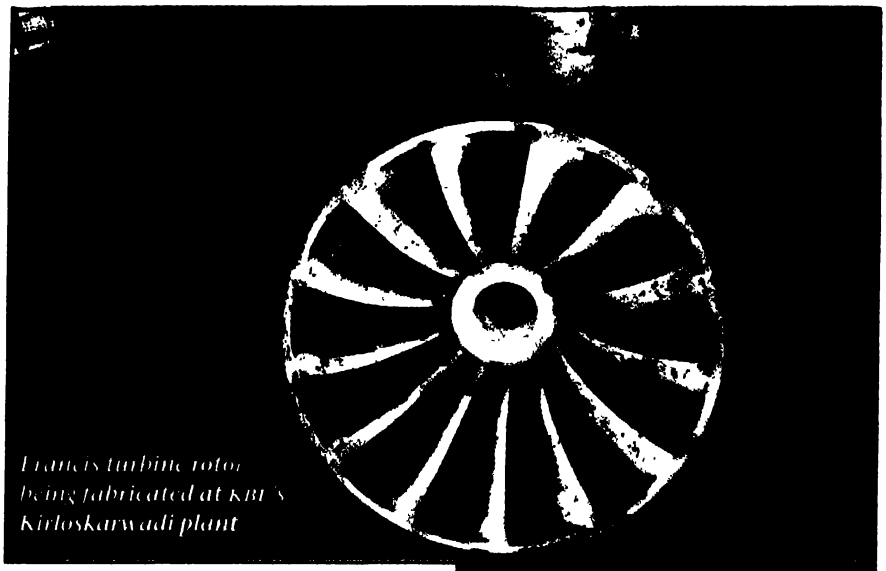
Kaplan rotor

agencies like IREDA (Indian Renewable Energy Development Agency) and the World Bank provide soft loans and the government offers a number of financial incentives for such projects.

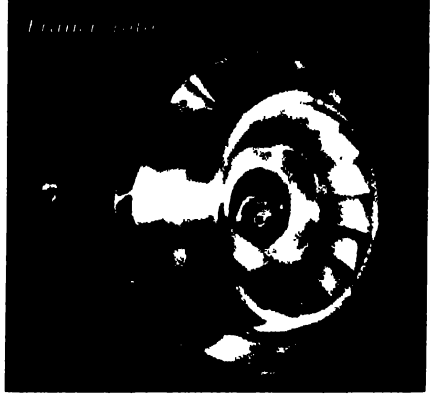
"These hydro turbines can be installed at the base of small or medium-sized dams that have been set up for irrigation but cannot be used for power generation because of the low head," says Kathavate. The 'head' is the difference between the water level at the top of a dam reservoir and the base of the dam from where water flows out into a canal for irrigation. It is a measure of the potential energy stored in the water which can be converted into power. While large hydro turbines require a head of 100 metres or more, small hydro turbines can operate in heads as low as 2 m. KBL manufactures three types of turbines — the Pelton turbine for high heads (30–1,000 m) and low flows, the Francis turbine for medium heads (10–500 m) and medium flows, and the Kaplan turbine for low heads (1–70 m) and high flows.

"India has one of the largest networks of irrigation canals in Asia and the flow of water in these canals is maintained by gravity. And if a canal is, say, 100 km long, there is a drop of about 200–500 m between its two ends. The canal is stepped even 1 km or so with a difference in water level of 2–3 m on either side of the gates, at each of which Kaplan turbines can be used to generate up to 3 MW of power, enough to supply the needs of 25 villages in the area," explains Kathavate. Similarly, small hydro projects can be set up along small streams, rivers, and dam toes.





Francis turbine rotor being fabricated at KBL's Kirloskarwadi plant

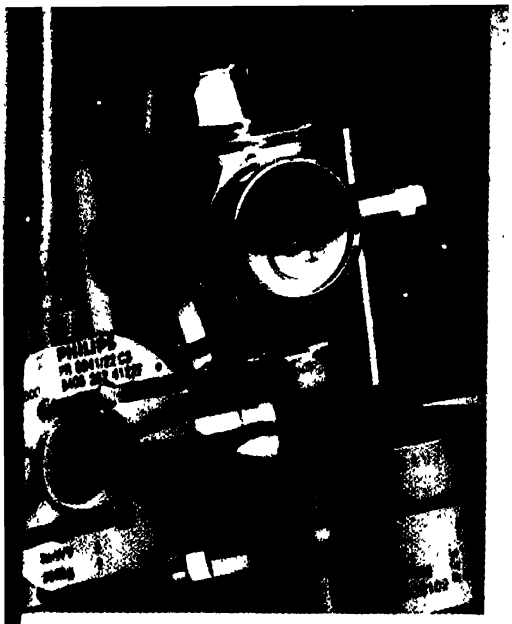


In the case of a Pelton turbine, typically used for heads of 100–150 metres, the water hits the turbine blades tangentially and the turbine rotates around a horizontal axis. In case of a Francis turbine, water enters the vanes radially or at an angle to the radius and comes out of the hollow centre of the turbine, thus causing the blades to rotate. The axis of rotation could be either horizontal or vertical. In case of a Kaplan turbine, the water flows along the axis of the turbine and passes over its blades, causing the turbine to rotate. Here too the axis of rotation could be either vertical or horizontal.

"The manufacturing technology for a Francis turbine and a centrifugal pump is very similar. Both have helical blades, the only difference being that a pump impeller may have four blades, while a turbine rotor has up to 15. As such, our manufacturing facilities at Kirloskarwadi are ideally suited for making turbines of upto 10 MW capacity for a single unit," says Kathavate. In the last two years KBL has bagged orders for three projects from Tamil Nadu Electricity Board (TNEB). Besides, it has orders for three more projects from private power producers, one each in Andhra Pradesh, Himachal Pradesh, and Karnataka. About five more orders are in the pipeline in different states. The TNEB projects are under execution at Aliyar (two horizontal Francis turbines of 1,250 kW each operating at a head of 30 metres), Mukurthy (2x350 kW horizontal Francis turbines, 21m), and Perunchani (2x650 kW horizontal Kaplan turbines, 15 m).

KBL has bagged orders worth Rs45 crore and, although it has tied up with Ebara of Japan, all the hydro turbines it has supplied are 100 per cent indigenous from day one. "We didn't need to import any parts as we have full capabilities to manufacture every component in-house because of our 80 years of experience in pump-manufacturing," says Kathavate. There are other manufacturers of hydro turbines in India, like Sulzer, Triveni, and Bovings Fouress, but the market is big enough for all the players to grow rapidly. Therefore, small hydro could become big business for all these companies in the years to come and provide environmentally safe sources of power to hundreds of villages and small towns all over the country.

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WiLL is not enough

CorDECT, an improvement over traditional wireless in local loop (WiLL), has overcome initial hic-cups and is establishing itself as a highly competitive low-cost telecom technology

Ashok Jhunjhunwala has greyed considerably in the last couple of years. An academic who wanted to develop affordable telecom solutions for India and other developing countries at a time when global telecom equipment vendors were charging marked-up prices for obsolete technology, he is slowly learning that to be commercially successful it is not enough to have good technology. One needs to lobby with the government, which at times has a strange duty structure that discourages indigenous innovation. DoT, which would prefer high cost "proven technology" to low cost home-grown innovations. Bankers who decide the viability of a telecom project and fund it based many a time on the big international names associated with it rather than the level of technology obsolescence or cost of equipment supplied by them. And last but not the least the new private telecom operators who are hungry for vendor financing rather than cost-effective solutions and so on.



Jhunjhunwala has realised that mere R&D is not enough; vendor financing too is crucial

It has been an uphill battle. "We at TeNet (The Telecommunications and Computer Networks Group), IIT Madras, were well intentioned R&D people who knew about fibre optics, signal processing, communication software and so on but now we have had to learn a few things about the business end. In fact it took us time to understand the role vendor financing is playing in Indian telecom sector," says Jhunjhunwala. "Vendor financing is the key reason basic telecom operators have gone for imported systems, even though the systems that have been brought in are more expensive and poor in data rate. We are now trying to convince IDFC, ICICI and others that if they do not back CorDECT then eventually the consumer and the country will lose. We are also talking to some international financing agencies. But this whole process is proving tougher than doing cutting edge R&D," adds the older but wiser professor.

What's CorDECT all about?

In India the cost per line in telecom has been around $900-1,000, which is not high by international standards but considering that by conservative estimates, there is about 15 per cent interest cost and another 15 per cent of operation, maintenance and obsolescence cost, a minimum annual revenue of $270 per subscriber is required for an operator to break even. Even this is not high by any international standard but considering the income levels in India the market for telecom is disproportionately small compared to a billion in population. Thus access to telecom has become a privilege rather than a routine affair. Once the waiting list of applicants for telephones is cleared, further significant growth in telephony will only come when technological development can bring down the cost per line to about $400.

The cost per line can come down by reducing costs in building the backbone, in building switches and lastly in the access technologies that link the subscriber to the switch. The cost of the backbone network was reduced substantially in the mid-1990s, by the use of optical fibre in trunk lines and microwave relays in more remote areas. The costs of switches too have been considerably reduced due to the efforts of Centre for the Development of Telematics (C-DOT) in the late 1980s and early 1990s. C-DOT's effort led to the development of a small rugged switch that can work in non-airconditioned environment in small towns and rural areas and a 40,000 line large switch for big cities.

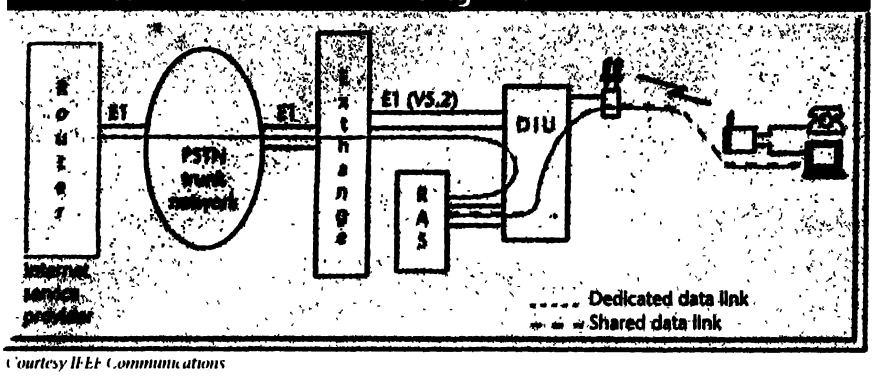


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Internet access on corDECT using RAS



Courtesy IEE Communications

Today C-DOT has a large switch with SS7 signalling, capable of supporting ISDN, Intelligent Networks and a fairly high Busy Hour Call Rate. The switch is also programmed to support V5.2 interface. The significance of the V5.2 interface is that one can use the C-DOT main exchange and someone else's remote location units thereby allowing the operators considerable flexibility in buying equipment and hence reduced costs. Most international switch manufacturers, fearing loss of revenue, kept the signalling interface proprietary and did not adopt V5.2 despite the insistence of the European Telecom Standards Institute, and even an ultimatum given in 1997. Strangely, the Indian government did not insist on this standard being adopted till this year and though it was a condition in DoT's tendering process, the vendors always managed to get a waiver. On the other hand, China and Malyasia have always insisted on this standard for several years and did not allow any switch that could not be upgraded to this standard.

The emphasis in cost reduction has naturally shifted to access technologies. That is the technology that links the subscriber to the switch or the exchange. While WiLL provided the advantages of quick deployment the key to reducing the costs here is to choose the right technology. While microcellular solutions are suitable in dense urban areas, innovative deployment strategies based on line of sight links are needed in other cases. The TeNet group in IIT Madras led by Ashok Jhunjhunwala and consisting of Bhaskar Ramamurthi, Devendra Jalihal, Timothy Gonsalves, K. Giridhar, R. Arvind and Hema Murthy has been playing a key role in defining and developing access technologies that are cost effective, easily deployable, and Internet friendly. They have tied up with young companies like Midas Communication Technologies, Banyan Networks, Vembu Sytems etc, to manufacture the Application Specific Integrated Circuits required for the complex remote access switches, DECT interface units, Field Programmable Gate Arrays and other equipment that form part of CorDECT. TeNet has also roped in Analog Devices of the US. Analog Devices has also taken up marketing this technology internationally. Indian equipment manufacturers like Crompton Greaves, Himachal Futuristic, Shyam Telecom, ARM, ECIL and others now employ the CorDECT technology. According to Rajiv Malhotra, managing director of Shyam Telecom, they have already demonstrated the cost effectiveness and quality of CorDECT technology by implementing it for 3,000 lines in Madagascar, 1,000 lines in Kenya, 1,000 lines in Bhopal for DoT and another 1,000 lines for MTNL in Delhi. When *Business India* contacted him on the phone and asked him about voice quality on CorDECT he said, "You are talking on a line based on CorDECT technology; did you notice any difference from toll quality landline? If not, my case rests." Mahendra Nahata, chairman, Himachal Futuristic, too was enthusiastic about CorDECT. In fact, it is said that HFCL is on the verge of winning a $8 million contract for 20,000 line order in Botswana based on CorDECT.

CorDECT has an interesting architecture, especially for its fixed part. The fixed part consists of a DECT interface unit (DIU) acting as a 1,000-line wireless switching unit providing a V5.2 interface towards the Main Exchange, and weather-proof Compact Base Stations (CBS). These are connected to the DIU either on three pairs of copper wire carrying signal as well as power, or on fibre or radio using E1 links through a Base Station Distributor (BSD). The subscriber terminal is a wall set, with either a built-in antenna, or a roof-top antenna providing a line-of-sight link to a CBS. The wall set has an interface for a standard telephone (or fax machine, modem or payphone) and an additional RS232 interface for a computer, enabling Internet connection at 28.8-64 kbps. *No modem is required,* as all links between the wall set and DIU are digital.

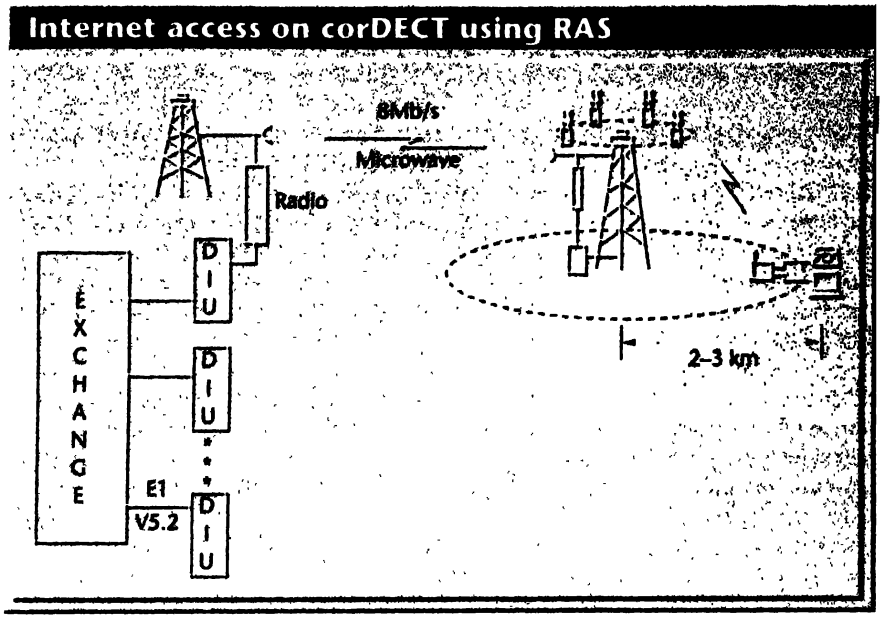
All subsystems are built primarily using Digital Signal Processors (DSP), with the DIU having nearly a hundred DSPs. This soft solution, while cutting down development time and affording design flexibility, also ensures that the cost of the fixed part is no more than 15 per cent of the total per-line cost in a fully loaded CorDECT system. This allows deployment flexibility for both dense urban areas and sparse rural areas. According to Nahata, the cost of equipment is less than Rs15,000 (approximately $350). Thus CorDECT entrepreneurs have kept the promise they made, that is, to bring down the cost per line to $350-450. According to Nahata, this is 30-40 per cent cheaper than competing WiLL technologies. Moreover Jhunjhunwala claims that WiLL technologies being deployed in India are more like cellular phone technologies where toll quality voice and Internet connectivity are not built in. A foreign consultant who preferred to remain anonymous admitted the weaknesses in the current WiLL technologies but added "they were brought in for quick deployment and they are eventually going to be replaced by wireline access anyway". In that case, who will bear this additional cost and that too in a fund starved Indian telecom sector?

"Leaving aside claims of cost effectiveness for a moment, I think the TeNet initiative should be wholeheart-

edly supported by DoT and funding agencies. It is an endeavour worth pursuing. We faced similar scepticism when we went about designing the main switch in C-DOT. If the Indian telecom sector is getting state-of-the-art switches made in India today or is able to drive down prices of international switch vendors it is because of the C-DOT switch. So, CorDECT should definitely be supported for long-term reasons," says Bishnu Pradhan, former executive director of C-DOT and currently general manager of global satphone major, ICO-Global.

"If we do not make sure that inexpensive and fairly wide bandwidth Internet access is not built into our telecom system then we will be creating a real gulf between the Internet haves and the have-nots in this information age," argues Jhunjhunwala passionately. Unfortunately our telecom system is designed for voice and not Internet. That is because voice calls involve continuous signal flow and are supposed to last a few minutes but when you dial an ISP with a modem and connect the call lasts for hours though actual data transfer is bursty. Thus our telecom network can support only a limited number of Internet subscribers; after a critical number of Internet connections the whole system would clog up or even collapse. In telecom jargon, the Publicly Switched Telecom Network (PSTN) in India, as in many other parts of the world, has been designed to handle 0.1 Erlang (a measure of load on the system) traffic per subscriber. While this is largely sufficient for voice telephony, Internet access results in a load as high as 0.3 Erlang during the peak hour. CorDECT claims to solve this problem.

The second problem has to do with the analog modem connection between the subscriber and the ISP. The analog link, especially in India, is first not reliable, mainly due to the variable quality of the copper local loop. This is even more so when a subscriber is located in a small town, where the trunk could also be analog. The quality of the dial-up link varies, and while it does provide 28.8 kbps connectivity occasionally, it often provides only 9.6 kbps or 4.8 kbps. As most Internet users in India would



Courtesy IEEE Communications

bitterly complain, sometimes the modem link also drops, requiring redialling and a new connection.

The call charges are very high for Internet access: $0.70 per hour for a local call in the cities, and as much as $30 for subscribers in rural areas making a toll call to an ISP perhaps 250 km away. The charges paid to the ISP are extra. Further, for the ISP, the investment in telephone lines, modems and router ports increases rapidly and linearly with the number of customers served.

CorDECT's solution is based on remote access switch (RAS). The RAS is co-located with the local exchange and connected to it using standard E1 (2.048 Mbps digital link) interfaces. A subscriber desiring an Internet connection dials the RAS, and sets up a circuit-switched local call. The call uses only the local exchange part of the PSTN. These exchanges today have very little blocking and can therefore handle the much longer holding-times (and therefore, higher Erlang traffic) of an Internet call. The RAS multiplexes the bursty data from several subscribers, and routes the data to the ISP router, using one or more leased or dial-up 64 kbps channels. It is desirable that the RAS dynamically adjusts the number of channels to the ISP depending on the traffic volume.

Let us assume that each Internet subscriber has a 56 kbps connection to the RAS with an average traffic as high as 10 per cent of 56 kbps. With 100 active subscribers, only about nine 64 kbps PSTN connections are required-RAS and ISP. The Erlang load on the PSTN due to the data calls is thus not more than the 0.1 Erlang value for which the network is designed.

Besides, the call charges can now be low, since only intra-exchange calls are being made by the subscriber. The small number of connections between the RAS and ISP utilise only digital trunks. They are very reliable and do not require modems. Assuming that up to 10 Internet connections use one 64 kbps slot, a single E1 link (consisting of thirty 64 kbps slots) to the ISP could handle 300 Internet calls.

Now that the government has finally given some support to CorDECT through a more rational duty structure, by abolishing the zero duty status of imported WiLL systems and the systems is also being tried out and technically validated Jhunjhunwala's dedicated team is leaving the job of marketing and implementing the systems to the industry. They are now busy developing new technologies so that up to 144 kbps Internet connectivity along with simultaneous voice service can be provided on a pair of good old twisted copper wires. But that is another story for which Internet and telecom enthusiasts should watch this space.

Sourcing smartly

With innovations as the core competency, IT&T has emerged as a leader in sourcing information technology

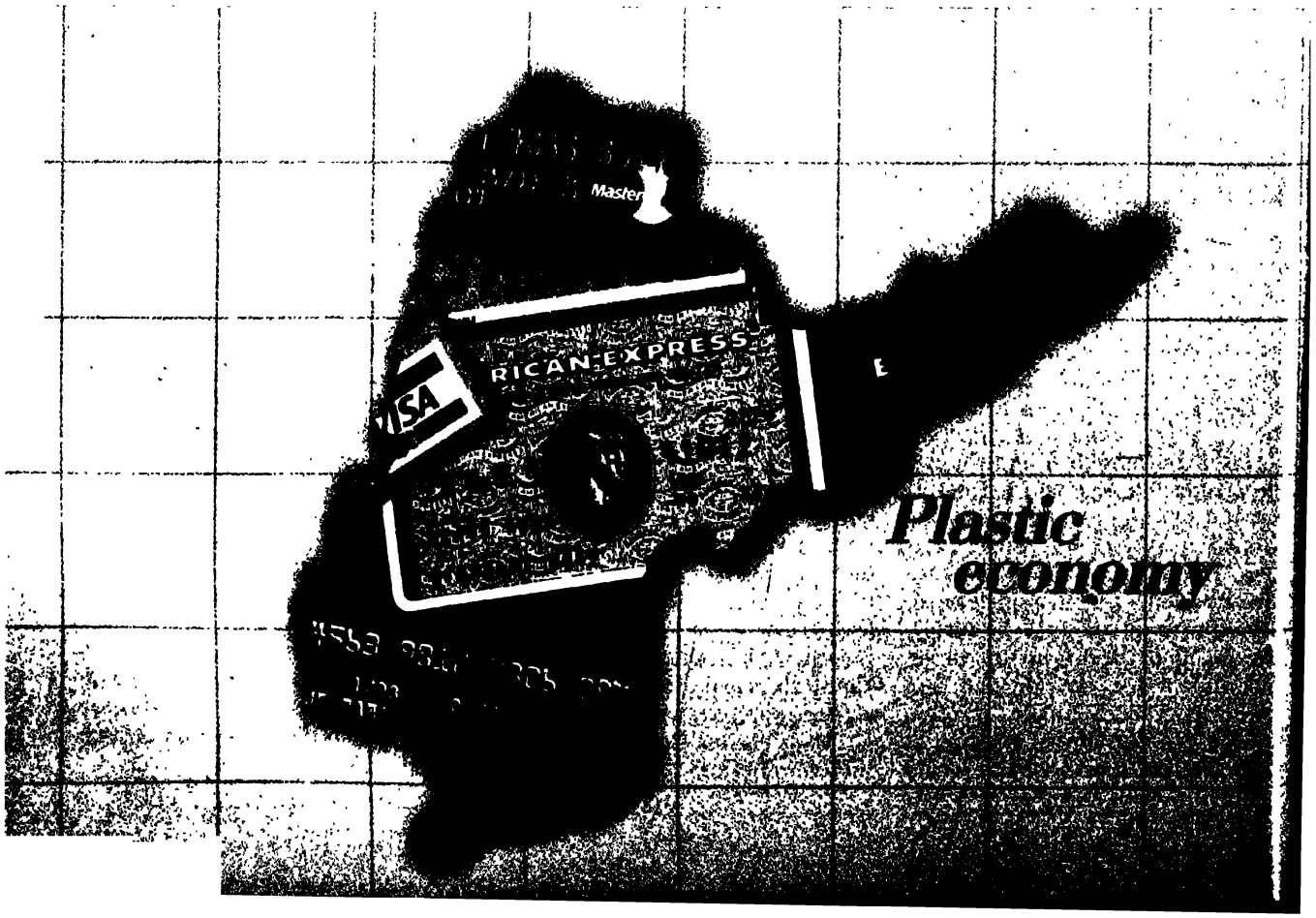
In 1990, six people threw up their jobs and set out to form a venture which would provide anything and everything required in the infotech arena. Under the banner IT&T, the company's activity termed 'facilities management' has grown over the years to clock a turnover of Rs30 crore. The initial phase was quite testing for the team and three of them ran out of steam when the future looked bleak.

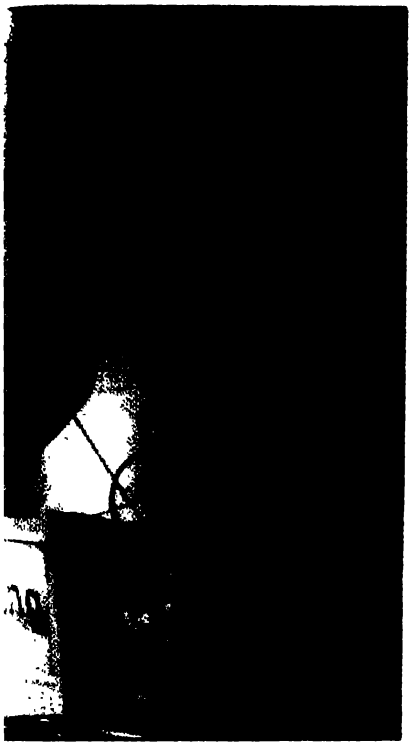
Perseverance pays. Once the three promoters were able to service reputed companies and deliver results, things automatically started looking up. The troika of Karan Puri, managing director, Hemant Kohli (CEO) and K. Ganesh (director), has not only proved the other three friends wrong by achieving results but also have recently roped in another partner – Rohit Chand – as executive chairman. The incumbent, who has 30 years of experience, has imparted a cutting edge to improvisations in facilities management and creating a niche of networking systems and systems integration. IT&T's latest venture, the IT&T Global services Ltd, is his first contribution to the company. The first client of the company is Siemens, which is setting up a power plant in Brazil.

"The focus of the company from now on is going to be high margin business particularly smart sourcing and global services. This may reduce our turnover a bit but will increase our profits in addition to reducing a lot of unwanted workload," says Karan, elaborating how a paradigm shift in their approach to the same business would bear more fruit. "Despite competitors like IBM Global services, Wipro, Compaq OMS and Microland (which is planning to close down the facility management wing), IT&T has



Hemant Kohli (left) and Karan Puri are looking





VIVAN

siness

:onstantly thrived by offering some-
:hing new," says Ganesh.

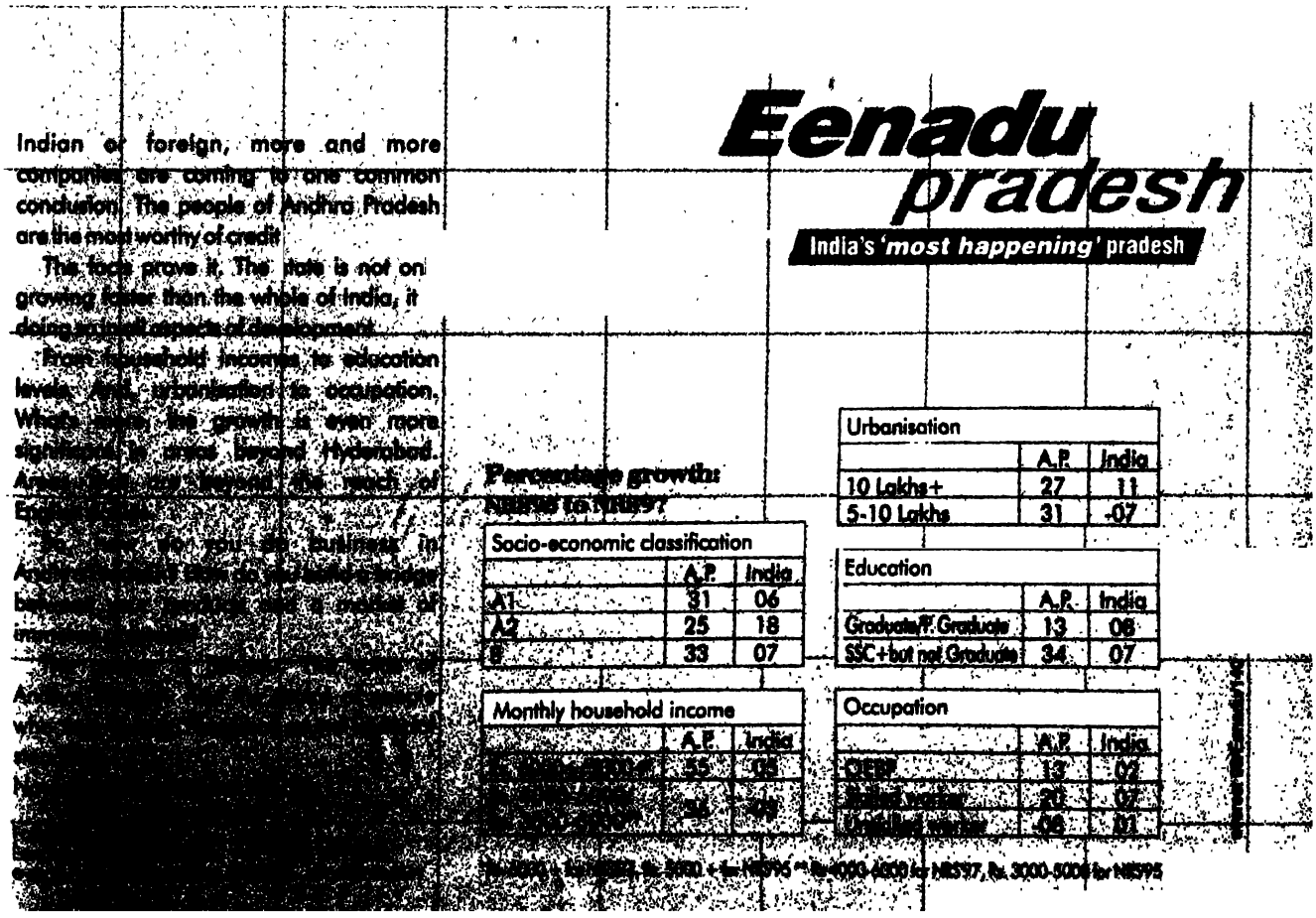
What is smart sourcing? The smart sourcing business model deals with contractual acquisition services for customers' hardware, software and networking requirements to ensure highest possible quality at the optimal costing of IT infrastructure. "The idea is to provide single window supporting system for companies which can utilise the strength of procuring the best out of many vendors with each catering to their strength rather than going for the easy route of getting everything from a single point," says Kohli. In the first phase, the company is tapping mature buyers for whom infotech systems are crucial for day-to-day operation. Ranbaxy, Castrol, Dabur, Reckitt & Coleman, British Council are some of the big clients.

According to Karan, "Offering IT services and support, launch of three new service streams (facilities management, mail and messaging services and network management services), smart sourcing services, implementing solutions on these services and the launch of IT&T Global services are some of the highlights for IT&T this financial year. IT&T has targeted 1999-2000 as the year for its highest growth in both the domestic and foreign markets. Last fiscal,the largest portion of the company's sales came from the sales of Compaq and IBM workstations. IT&T has, since inception, positioned itself as a key distribution and systems integration company."

According to Karan, the whole idea of smart sourcing came from the clients themselves. Each company needs to remain focused on its strengths. But the strengths in this business alter so rapidly that by the time you become near perfect in that particular service, it becomes obsolete. Technology upgradation and regular R&D in service quality enhancement remains the buzzword in this segment.

Though IT&T has been performing well over the years despite the entry of formidable rivals, it is lasting the course that matters. Only then would IT&T be an Indian company that not only stood up to the foreign majors but set itself as an example to the next generation of software companies.

• MANOJ NARULA



The BIG Web

The BIG (Business India Group) Web is a directory of Indian corporate and business-related sites available on the Internet. If you want your company's site listed on these pages please e-mail us at list.big@aworld.net.

AAR-EM ELECTRONICS
http://www.aar-em-electronics.com

AGARWALSONS ALUMINIUM
http://www.agarwalshi-aluminium.com

ALLIED COMPUTER INDUSTRIES
http://www.aci-india.com

AMALGAMATIONS GROUP
http://www.amalgamationsgroup.com

AMAN TRAVELS
http://www.amantravels.com

AMBUSHA RESORTS
http://www.himachalonline.com/ambusha

AMRUTANJAN
http://www.amrutanjan.com/

ANCHOR ELECTRICALS
http://www.anchorindia.com/

ANDHRA BANK
http://www.andhrabankindia.com

ANDHRA PRADESH TOURISM
http://www.aptourism.com

ANDREW YULE GROUP
http://www.andrewyule.com

ANNAPURNA FOILS
http://www.annapurnafoils.com

ANNEY MEDIA & INFORMATION
http://www.anneysite.com

ARVIND MILLS
http://www.arvindmills.com/

ASIATIC ELECTRICS & DEVELOPERS (I) LTD.
http://www.asiatic.com

ATUL MACHINE TOOLS
http://www.cnow.com/aatl

AVL INDIA SOFTWARE
http://www.avlindiasoft.com

BAIDYANATH
http://www.baidyanath.com

BALCO
http://www.balcoindia.com

BALRAMPUR CHINI
http://www.chini.com

BALSARA GROUP
http://www.balsara.com/

BARODA ONLINE
http://www.vadodara.com

BENGAL AMBUJA HOUSING
http://www.bengalambuja.com

BENGAL PEERLESS HOUSING
http://www.bengalpeerless.com

BHARAT FORGE
http://www.bharatforgelimited.com/

BOMBAY STOCK EXCHANGE
http://www.bseindia.com

BOSKALIS DREDGING
http://www.boskalis.com

BUTTERFLY GROUP
http://www.butterflyindia.com

C-DOT
http://www.cdot.com

CAPGEMINI GLOBAL
http://www.capgemini.com

CEAT
http://www.ceatyres.com

CENTRAL ELECTRONICS LTD.
http://www.cel.co.in

CENTURION BANK
http://www.centurionbank.com

CHIMANLAL KALIDAS & BROS.
http://www.ckb-india.com

CHOITHRAM HOSPITAL
http://www.choithram.org

CHOLAMANDALAM INVEST.
http://www.cholamandalam.com

CHOLAYIL PHARMACEUTICALS
http://www.medimixindia.com

CHORDIA FOOD PRODUCTS
http://www.chordia.com

CIDCO
http://www.cidcoltd.com

CONTAINER CORPN. OF INDIA
http://www.concorindia.com

CONTINENTAL CONTRACTORS
http://www.continentalcontractors.com

CONVERGENT CHIMA
http://www.convergentindia.com

CRISIL
http://www.crisil.com

[illegible]
http://www.dalmiagroup.com

DHAMAN SYSTEMS
http://www.dhlgroup.com

D.G.H
http://www.dghindia.com

DOMEX BUSINESS INFORMATION
http://www.domexindia.com

E SHOPEE
http://www.eshoppe.com

EAGLE FASHIONS
http://www.indiaconnect.com/eaglefashions

EICHER
http://www.eicherworld.com/

EID PARRY
http://www.parry-caramel.com

EIH
http://www.oberoihotels.com

ENGINEERS INDIA
http://www.engineersindia.com/

ERNST & YOUNG
http://www.ey-india.com

IT WORLD '99
COMDEX INDIA
THE NATIONAL IT SHOW
8-11 December, 1999 • Pragati Maidan New Delhi
http://www.itworld-comdex.com

GAZEBO INDUSTRIES
http://www.gazebo-group.com

GEIL PROJECTS & SERVICES
http://www.geilindia.com

GIC
http://www.gic.nic.in

GENERAL MOTORS INDIA
http://www.opelindia.com

GEOLOGISTICS
http://www.geo-logistics.com

GLAXO WELLCOME
http://www.glaxowelcome.com/

GLOBAL TRUST BANK
http://www.globaltrustbank.com/

GLORY GREETINGS & GIFTS
http://www.glorygreetings.com

GOODLASS NEROLAC
http://www.nerolac.com

GREAT EASTERN SHIPPING
http://www.greatship.com

GHEC
http://www.gseb.com

GUJARAT TEA PROCESSORS
http://www.waghbakritea.com

HARIOM ESTATERS
http://www.wml.co.in/gokul

HARISH TEXTILE ENGINEERS
http://www.harishtex.com

HAWK SECRET SERVICES
http://www.hawksecret.com

HCL INFOSYSTEMS
http://www.hclinfosystems.com

HDFC
http://www.hdfcindia.com/

HELLO HELP ME
http://www.hellohelpme.com

HERDILLIA CHEMICALS
http://www.herdillia.com

HI-TECH RESISTORS
http://www.htr-india.com

HINDUSTAN AERONAUTICS
http://www.allindia.com/hal

HINDUSTAN LEVER



http://www.hll.com

HONGKONG BANK
http://www.hongkongbank.com

HOTEL CINDRELLA
http://www.cindrellahotels.com

HR FOLKS INTERNATIONAL
http://www.hrfolks.com

HUDCO
http://www.hudcoindia.com

IMAGE EQUITY
http://www.imagequity.com

IMATION
http://www.imation.com

IMEX INDIA
http://www.imex.co.in

INCOME TAX DEPARTMENT - DELHI
http://incometaxdelhi.nic.in

INDEF
http://www.indef.com

INDIA PLAST PACK FORUM
http://www.plastpack.com

INDIAN FINANCIAL MARKET
http://www.ifm.webprovider.com

IMFA
http://www.imfagroup.com

INDIAN RAILWAYS
http://www.indianrailway.com

INDO COUNT INDUSTRIES
http://www.indocount.com

INSTRUMENTATION
http://www.ilgt.com

INTERCON REAL ESTATE DEVELOPERS
http://www.interconkdia.com

IPCL
http://www.ipcl.co.in

ITI
http://www.itiltd-india.com/

J M MEHTA & CO.
http://www.jmmtravel.com

JAIN HOUSING & CONSTRUCTION
http://www.jainhousing.com

JAMMU AND KASHMIR BANK
http://www.jammu&kashmirbank.com

JASMA ENGINEERING
http://www.jasma.com

JET AIRWAYS
http://www.jetairways.com

JHAVERI COMPUTERS
http://business.vsnl.com/toplists

JINDAL ALUMINIUM
http://www.jindalex.com

JINDAL DRUGS
http://www.indiaspace.com/jindal

JINDAL IRON & STEEL
http://www.jindalsteel.org

JK TYRE
http://www.jktyre.com

JOBHOST - INDIA
http://www.jobhost-india.com

JOHNSON & JOHNSON INDIA
http://www.jnjindia.com

JUNEJA METAL WORKS
http://www.junejametalworks.com

JUTE MANUFACTURES DEVELOPMENT COUNCIL
http://www.jmdcindia.com

JYOTI
http://www.jyoti.com

K RAHEJA CORP
http://www.krahejacorp.com

KACHINS
http://www.kachins.com

KAJARIA CERAMICS
http://www.kajariaceramics.com

KALPATARU CONSTRUCTIONS
http://www.kalpataru.com

KALYAN BANK
http://www.kalyanbank.com

KANAKIA
http://www.kanakia.com

KANCOR FLAVOURS & EXTRACTS
http://www.kancorflavours.com

KANKARIA GROUP
http://www.kankariagroup.com

KANTILAL SANGHVI & CO.
http://business.vsnl.com/ksc

KAPOL BANK
http://www.kapolbank.com

KARNATAKA RENEWABLE ENERGY DEVELOPMENT
http://www.kredl.com

KSIDC
http://www.ksidc.org

KNIGHT FRANK
http://www.knightfrank.com

KRISVIN FINANCIAL SERVICES
http://www.bbean.com/India-Partner/

KUMAR BUILDERS
http://www.kumarbuilders.com

L G ELECTRONICS INDIA
http://www.lgeil.com

L T OVERSEAS
http://www.ltoverseas.com

L & T INFORMATION TECHNOLOGY
http://www.ltitl.com

LAB & GENERAL EXPORTS
http://www.labexport.com

LAFARGE
http://www.lafarge-asia.com

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LAHOTI OVERSEAS
http://www.lahotioverseas.com/

LKP FOREX
http://www.lkpindia.com

M P TELECOM & COMPUTER TRADERS ASS.
http://www.foncom.org

M V J FOODS
http://www.melam.com

MAARS SOFTWARE INTERNATIONAL
http://www.maars-soft.com

MAC DECOR
http://www.macdecor.com

MADRAS CONSULTANCY GROUP
http://www.webindia.com/mcg

MAERSK
http://www.maerskline.com

MAGIC SOFTWARE
http://www.magicsw.com

MAN INDUSTRIES
http://www.mangroup.com

MANDVI CO-OPERATIVE BANK
http://www.mandvibank.co.in

MANGAL TIRTH ESTATE
http://www.mangaltirth.com

MANUGRAPH INDUSTRIES
http://www.manugraph.com

M S G F
http://www.msgfindia.com

MOTOROLA AUTO INDIA
http://www.motorola-auto.com

NATIONAL STEEL INDUSTRIES
http://www.ruchigroup.com/national

NEXUS PLACEMENT CON
http://www.nexusconsultants.com

NGEF
http://www.ngef.com/

NICHOLAS PIRAMAL
http://www.nicholaspiramal.com

NICHROME INDIA
http://www.nichrome.com

NIIT
http://www.niit.com.

NILGIRI DAIRY FARM
http://www.nilgiri.com/

NILKAMAL PLASTICS
http://www.nilkamalplastics.com

NIRLON
http://www.nirlon.com

NIRMA
http://www.nirmaindia.com/

NIRULAS HOTELS
http://www.indiamart.com/nirulas

NITIN FIRE PROTECTION IND.
http://www.nitinfire.com

NUCLEUS FOREX
http://www.nucleusindia.com

OBEROI CONSTRUCTIONS
http://www.oberoiconstructions.com

OBEROI & ASSOCIATES
http://business.vsnl.com/oberoiassociates

OCEANIC ENVIRO
http://www.oceanicenviro.com

ORBIT TECHNOLOGIES
http://www.orbitindia.com

P M PACKERS & MOVERS
http://www.packersindia.com/

P & G
http://www.pg.com

PAAM PHARMAC
http://www.paampt

PAHARPUR BUSINESS CENTRE
http://www.pbcnet.com

PANACEA BITOEC
http://www.panacea-biotec.com

PANCHSHIL HOTEL
http://www.panchshil.com

PIPDIC
http://www.pipdic.com

PIRAMAL SYSTEM TECHNOLOGIES
http://www.pbytechindia.com

PRAGATI LEARNING SYSTEM
http://www.pragatilearning.com

QIMPRO CONSULTANTS
http://www.qimpro.com

QUANTUM INFORMATION SERVICES
http://www.equitymaster.com

RAJENDRA OSWAL JEWELShttp://www.jewelsntools.com

RANBAXY LABORATORIES
http://www.ranbaxy.com/

RASHTRIYA CHEMICALS & FERTILIZERS
http://www.rcfltd.com

RAYMOND
http://www.raymondindia.com/

REAL MUMBAI
http://www.real-mumbai.com

RESERVE BANK OF INDIA
http://web.rbi.org.in

REXELLO CASTORS
http://www.[illegible]

RICHFIELD AUTOMATION
http://www.richfield.co.in

ROLTA
http://www.rolta.com

[illegible] SILK & SAREES

http://www.[illegible]

ROSSELL INDUSTRIES
http://www.[illegible]

FIELD

RUCHI SOYA INDUSTRIES
http://www.ruchigroup.com/ruchisoya

RUCHI STRIPS & ALLOYS
http://www.ruchigroup.com/ruchistrips

RUSHABH DIRECT MARKETING
http://www.directmallindia.com

S S ENGINEERING INDUSTRIES
http://www.ssengg.com

SAHARA AIRLINES
http://www.saharaairline.com

SAI SHANKAR SOLUTIONS
http://www.sssolutionsltd.com

SAIL
http://www.sail.co.in

SAMPARK PUBLIC RELATIONS
http://www.sampark.com

SAMTRONICS DATA PRODUCTS
http://www.sdpl.com

SANGHI CEMENTS
http://www.sanghi-cement.com

SANGHI ORGANIZATION
http://www.sanghi.allindia.com

SAP INDIA
http://www.sap.com

SCHOTT GLASS
http://www.schottglass.com

SEBI

[illegible] CONTROL CABLES

SHRP
http://[illegible]

SHREERAM & CO.
http://[illegible]

SICOM
http://www.sicomindia.com

SIDBI
http://www.sidbi.com

SIDDHARATHA TUBES
http://www.siddhartha.com

SIDDHARTHA GROUP OF IND.
http://www.siddhart.com

SIEMENS
http://www.siemens.co.in

SRISOFT TECHNOLOGY
http://www.srisoft-ut.com

STATE BANK OF TRAVANCORE
http://www.sbtr.com

STEEL CAST
http://www.steelcastltd.com/

STERLING GELATIN
http://www.sterlinggelatin.com

STMICROELECTRONICS
http://www.st.com

STRIDES ARCOLAB
http://www.stridesarco.com

STUDIO KORJAN
http://www.korjan.cjb.net

SUBEX SYSTEM
http://www.s

SUBHASH PROJECTS & MKTG.
http://www.subhash.com

SUN [illegible]
http:[illegible]

SU[illegible]
http:[illegible]

SY[illegible]
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TATA RYERSON
http://www.tata.com/tataryerson

TAX & YOU
http://www.taxnyou.com

TECHNOPARK
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TECHNOSERV
http://business.vsnl.com/technoserv

TELCO

http://www.tata.com/telco

TENDER - INDIA
http://www.tender-india.com

TETRA PACK [illegible]
http://www.[illegible]

TEXT 100 INDIA
http://www.text100.

THANE JANATA SAHAKARI BANK
http://www.thanejanata.co.in

THERMAX BABCOCK & WILCOX
http://www.[illegible]

THINKGEN
http://www.thinkgen.com

TRITAC [illegible]
http:[illegible]

T[illegible]
http:[illegible]

TRADE FAIRS & CONFERENCES
http://www.tfci.com

TCI
http://www.tcil.com

TRENDS ADVERTISING
http://www.trendsindia.com

UB ENGINEERING
http://www.ubengineering.com

ULTRA TILE
http://www.ultratile.com

UNI LEGWEARS
http://www.unilegwear.com/

UNION BANK OF INDIA
http://www.unionbankofindia.com

UNIQUE DYE CHEM
http://www.uniquedyechem.com/

UNIT TRUST OF INDIA
http://www.unittrustofindia.com.

UNITECH [illegible]
http://[illegible]

UNIWORTH INTERNATIONAL
http://www.uniworth.com

USHA
http://www.ushainternational.com/

USHA [illegible]
http://www.[illegible]

USHA [illegible]
http://www.[illegible]

STEAM AIR PRODUCTS
http://www.[illegible]

V[illegible]
http://www.[illegible]

V[illegible]
http://www.[illegible]

VERO PRESIDENT SYSTEMS
http://www.veropresident.com

VGP GROUP
http://www.vgpindia.com/

VIDEOCON GROUP
http://www.videocongroup.com

VIJAYA BANK
http://www.vijayabank.com

VIKAS CONSTRUCTIONS
http://www.vikasconstructions.com

VINDAS CHEMICAL IND.
http://www.vindas.com

VIP
http://www.vipbags.com/

VIRGO ENGINEERS
http://www.virgoengineers.com

VITESSE
http://www.vitesseltd.com

VOLTAS
http://www.tata.com/voltas

VSNL
http://web.vsnl.net.in

VXL INSTRUMENTS
http://www.vxl.co.uk

WELDON ENGINEERING
http://www.weldon.com

WEST COAST PAPER MILLS
http://www.[illegible]

WHIZEL TECHNOLOGIES
http://[illegible]

WILNET [illegible]
http:[illegible]

W[illegible]
http:[illegible]

W[illegible]
http:[illegible]

Bankers' choice

A Citicorp-promoted software start-up is fast scaling the value chain in its niche

As banks globally gear up to cope with the new mantras of their business – universal banking, seamless service, Internet banking, *et al* – a host of software companies are competing to provide them with solutions. Few have been as successful as Rs144-crore (including Rs3 crore other income and Rs50 crore profit after tax as of March 1999) Citicorp Information Technology Industries Ltd (CITIL).

Headquartered in Bangalore and with a marketing arm in the US, CITIL ranks as the world's third largest vendor of corporate banking systems. Two CITIL packages – Microbanker and Flexcube – figure in the top 10 sales league tables drawn up by International Banking Systems UK last April. It counts 200 financial institutions in 60 countries amongst its customers, half of whom are in the US and Europe and the other half in emerging markets.

CITIL is a subsidiary of Citicorp, which has a 49.49 per cent stake in its equity, the balance being held by around 2,000 employees of group companies. But Rajesh Hukku, director in charge (who fronts CITIL in North America), believes this seven-year-old start-up has a lot going for it beyond its parentage. "Many software companies begin with a certain momentum but have no long-term strategy to speak of," says Hukku, an engineer from BITS, Pilani, who moved from Citicorp Overseas Software Ltd (COSL) to start the company. "We didn't make that mistake."

In 1992 Citicorp decided that its software subsidiary, COSL, would operate as an in-house software shop; COSL's non-Citi business, then less than $1 million, would be hived off to a separate subsidiary (today Citibank worldwide contributes only 25 per cent to revenues). "Right from inception, we were clear that we were a *business*, not just a technology shop," stresses Hukku. "Techies don't understand a bank's operations as bankers do, and that is our edge: we really do have a keen sense of our clients' needs."

The strategy: focus vertically and solely on the financial sector, not as a cheap supplier but as a value added player; have an arm's length relationship with Citicorp which, with its $1 billion annual technology budget, would be "just another customer". To underscore CITIL's independent status, its management reported to Citi's regional business head rather than the technology arm.



SANJAY BORADE

Hukku is on the lookout for acquisitions

Year	Sales (Rs crore)
1996–97	54.5
1997–98	82.5
1998–99	144.5
1999–2000	215.0*

*Target

C.N. Ram, head of IT at HDFC Bank, says CITIL has been his bank's software vendor right from the start. "We needed a partner who understood what banking is all about. CITIL has a global vision but has its feet in India; that fit in perfectly with our business model," he explains. HDFC Bank, which has spent some Rs30 crore on IT, uses the Microbanker package for its wholesale banking and CITIL's Finware (now a part of the total Flexcube offering) for the retail end. Next month it will be launching an Internet banking service and initiated CITIL's business intelligence (data warehousing) solution.

Bernard Monney, who heads IT for Ghana's most prestigious bank, the Agricultural Development Bank, talks glowingly of the expertise exhibited by CITIL in implementing Microbanker the bank's first major IT solution. "We planned an allotment of 10 weeks per site, but the fourth site just went live this week," he says, "five months ahead of schedule."

CITIL has some domestic focus in mind – presently it derives only 5 per cent of its turnover from domestic sales, including new client Saraswat Bank – but does not want all its eggs in any regional basket. More to the point, it wants a bigger piece of the larger bank sector, growing away from its original customer base of smaller banks in emerging markets. Hukku admits that the perception that CITIL is a Citicorp-run company keeps some of the larger customers away.

To counter this, it will confine its attention to three main technology areas — Java, Internet banking, and business intelligence. It partners Sun for Java and Oracle for business intelligence. A new offering, Flexcube@, is scheduled for launch within the next three months.

In anticipation of more business, CITIL wants to ramp up capacity and is therefore on the lookout for acquisitions. These could be smaller companies with a niche business that is complementary. "Or companies that have a good customer list outside India that we may want to get into. For example, we aren't present in the European derivatives market," adds Hukku. Is a CITIL IPO on the horizon? Unfortunately not. "A public offering is not on the cards at present," confirms chief executive officer R. Ravisankar.

• NAAZNEEN KARMALI



Rs. 73/- per share;

Rs. 20/-* only on application

HIGHLIGHTS

- Over 6 lakhs shareholders
- Uninterrupted Dividend for 44 years
- Minimum dividend of 45% for each of the last 3 years
- Increase of dividend pay-out ratio from 22.5% to 31.5% in 5 years
- Compounded Asset Growth of 29% p.a. over last 10 years
- Compounded Growth of 29% p.a. in Profit After Tax over last 10 years
- AAA Rating for Long term Domestic Borrowings for maturity between 1 to 30 years

Public Issue of 3,77,00,000 equity shares of Rs. 10 each for cash at a premium of Rs. 63/- per share aggregating Rs. 275.21 crore with a right to retain oversubscription up to 10%.

RISK FACTORS

GENERAL RISK : Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The equity shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on Page No. (i), (ii) and (iii) of the Prospectus. **RISK FACTORS : INTERNAL FACTORS** • Credit risk arising from the risk of default by its borrowers, particularly by those affected by downturn in world commodity prices. • Interest Rate Volatility arising from duration mismatches between interest rate sensitive assets & liabilities. • As on 30/06/99, ICICI had Contingent liabilities of Rs. 5000 crore, commitments to a subsidiary company of Rs. 113 crore and outstanding forward contracts of Rs. 492 crore (Refer Note No. 5 and 8 on page 77 of the Prospectus). • As on 30/06/99, ICICI had disputed sales tax liabilities of Rs. 21 crore and disputed income tax liabilities of Rs 312 crore (Refer Note No 9 on page 77 of the Prospectus). • As on 30/6/99 top 5 industries constitute 44.8% of ICICI's loan portfolio and the trends in these industries may have a bearing on the finances of ICICI • Total Net Non-Performing assets, as on 30/06/99, are Rs 3,564 crore constituting 7.6% of ICICI's net loan assets. • Risk relating to Y2K failure of information technology services and products. • Uncertainity arising from entry into new business lines • Prudential ICICI-AMC, an affiliate of ICICI has incurred a loss of Rs. 7 crore during the year ended 31/03/99. • No monitoring agency has been appointed for the Issue **EXTERNAL FACTORS** • Competition for Business from existing and new entrants. • Competition for Resources from existing and new entrants **NOTES** • The investors are advised to refer to the para on "Basis for Issue Price" on page 57 before making an investment in this Issue. • Investors may note that in case of oversubscription allotment shall be on proportionate basis (refer to the para on "Basis of Allotment" on page no 65). • 24% of the Issue size has been reserved for NRIs/OCBs/FIIs applying on repatriation basis They can obtain the application forms from the registered office of the Company

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Suppliers.com

Telco subsidiary TTIL has created an online system to smoothen its supply chain

Telco had to once phone an ancillary 66 times in one day in connection with a bottleneck in the supply of painted plastic parts for the Sumo. This was in January 1998 soon after the Sumo's launch. "Today, we get just five calls a week!" says Paresh Parekh, proprietor of Dolphin Industries which is Telco's only source for painting body sections like bumpers and spare-wheel covers for its Sumo, Safari and other vehicles. "Our non-value-added efforts – trips to get information like the 'goods inward' (GIN) receipt numbers, supply schedules and payment details – have come down drastically," agrees K.R. Ananthakrishnan, regional manager of Sundaram Clayton which supplies components worth Rs3 crore a month to Telco.

The magic wand that has been waved is the new value chain management (VCM) package, developed by the Rs51-crore Tata Technologies (India) Ltd (TTIL) and fine-tuned to suit Telco's needs. "Our delivery schedules change fast because of the dynamic market scenario," explains Telco manager Manish Gupta. "So, real-time communication and response become very important."

VCM, says Gupta, is a win-win solution for both the company and its suppliers. The value to the latter is evident from the fact that 350 of them have come online in less than three months, while it took as many years to get the same number to register for the earlier EDI (electronic data interchange) system. "EDI was only the information the company wanted to give, VCM is an open system. It's a real step in terms of partnership," he says.

The 'value chain', explains S.D. Pradhan, CEO of TTIL, is because it is providing services not only to the company but also to all its stakeholders. Claimed to be the first of its kind in India, the package took the two-year-old company Rs4 crore to develop. G.S. Singh, deputy general manager in charge of the VCM group, says TTIL is also adding features like supplier quality ratings, including details on how these are to be worked out. "Everything is transparent: this is a big advantage to the supplier," Singh adds.

The Telco VCM is currently concentrating on making life easier for suppliers, providing them with all the information they need, including purchase orders, schedules, replies to enquiries, payment status, material receipt status and stocks. Later, it will be extended to dealers, providing dispatch details and plans, and gathering dealer information like sales position and order booking. Customers, too, can then log on directly and find out about production and delivery schedules. And in the third phase, it will provide a knowledge base for payrolls and attendance records, or processes like how to weld two plates – even CAD/CAM drawings and solutions for smaller businesses.

Having installed the Telco system in May 1999, TTIL has now launched this package commercially and is setting up similar value chain solutions for a number of companies including Kinetic Engineering. Most customers – both those at the signing stage and prospects in the pipeline – are manufacturing companies. "Being a part of Telco, we have the advantage of knowing manufacturing processes," says Pradhan.

But the package will work equally well for other businesses, too. "It's a modular package, we just need to customise it to suit the specific needs of each company or business, not redevelop the system," Singh explains. TTIL is currently working on a customised solution for the New Delhi-based Om Auto group, a transport company with 40 offices all over the country, to keep track of its good movements, warehousing and othe activities. VCM is projected to bring i business worth Rs3 crore in the curren year, after which Pradhan predicts 'multiplier effect'.



Manufacturing knowledge is an advantage, says Pradhan

According to Deepak Shikarpu business development manager at TTI and chairman of the Pune chapter c the Computer Society of India, "An company which doesn't develop it own Net strategy in the next decade doomed!" Pradhan is more prosai "The major need is to collapse the cyc time," he says. "Business is no longer situation of the big eating the smal but the fast devouring the slow."

• SEKHAR SESHA



The author is chairman of Wipro Infotech Limited and Hexaware InfoSystems Limited

Life after Y2K

Why the Bug may prove a boon for Indian IT firms

Doomsday prophets have been screaming themselves hoarse, likening the Y2K problem to an Armageddon that will leave the world in chaos on 1 January 2000. Meanwhile, pessimistic pundits of the Indian computer industry are predicting doom of a different kind. Bereft of Y2K-related project inflows (which have been available for the taking the past couple of years), revenues of the Indian software industry will plummet, they predict.

So is it time to start pulling out your investments into IT stocks. Are software companies going to collapse under the weight of the Y2K professionals they recruited in droves? Are there professionals going to be clutching pink slips instead of pink gins this New Year's Eve?

To answer the above questions – and other ancillary ones linking the fortunes of the Indian software industry to Y2K – one has to delve much deeper into the matter.

For starters, a quick dissection of the Y2K opportunity would be in order. The time-bound urgency of the problem, the large numbers of professionals required to address it and the willingness of the developed countries to pay a price for solutions, all provided a perfect opportunity for India. And India responded magnificently to the challenge, reaping rich benefits. There's no doubt that Y2K has put India much more firmly on the world IT map over the past few years.

For 1998-99, the National Association of Software and Service Companies, estimates that approximately 20 per cent of software exports revenues accrued from Y2K-related projects — equivalent to $560 million. This considerable sum of money wouldn't have come India's way if it were not for Y2K.

But what happens now? What happens to the companies which put all their eggs in the Y2K basket ? What happens to the programmers whose skills are not relevant any longer? Can these professionals be re-trained in new skill areas or would they have to be retrenched?

Regardless of these problems, any Indian software firm which ventured into the Y2K arena is better off than those that didn't. Here's why:

• The Y2K projects created an opportunity to build relationships with new clients. Many of these companies might otherwise not have outsourced any software development at all. For many Indian software companies, the West's Y2K-phobia quickly provided a customer base in need of urgent solution. If these companies have delivered on time and provided value to their customers, they are well positioned to provide continued value by being continuously relevant to their customers.

•There is much scope for bagging maintenance projects for the now-compliant systems. Since the Indian companies are now familiar with the converted systems, maintenance is a logical fall-out, and this can be done at hardly 40 per cent of what it would have cost the client in the US. Application maintenance outsourcing contracts generally span three to five years. The strike rate of bagging these contracts from the Y2K clients should be at least 50-70 per cent.

• With the execution of the Y2K project, the client would probably be favourably inclined towards passing on more projects to the Indian developer. These could include migration and Web integration projects for the legacy systems made Y2K-compliant.

• Y2K has created several project managers with experience of working on large projects. These managers can now be put to good use in other projects of the company.

• Y2K projects have resulted in an impressive roster of reference clients for the Indian software industry. These references can be used to advantage for signing on other new clients.

• A couple of hundred million dollars of business will definitely accrue to the Indian software industry in the next two to three years. Hyderabad-based VisualSoft is successfully marketing Euro tools. Wipro Infotech, Infosys, IIS Infotech, Hexaware and several other companies have been doing Euro-related projects successfully. The Gartner Group has estimated that the Euro conversion spending will be about $100 billion, and India is set to capture a part of it.

• It is a well-known fact that several corporations worldwide have postponed most new development projects, concentrating entirely on achieving Y2K compliance. That done, a large number of pending projects will now come up for outsourcing. Simultaneously the e-commerce and e-business markets are now beginning to mature – there is huge potential here.

All in all, the millennium opportunity has helped the Indian IT industry lay a strong foundation. And the Indian industry is ready to build on it in the next millennium with lots of vigour and enthusiasm. ◆

MILTON PLASTICS

Casting a new mould

The company has drawn up a game plan to see that its products wend their way into many Indian kitchens

The past couple of years have been trying times for corporate India. Most captains of industry have shunned needless diversifications. And the buzzword today is to 'concentrate on core competency'. One such company is Milton Plastics. This Rs328.87-crore (18-month period to September 1998) company, which is into the manufacture of thermoware, once enjoyed a good brand recall value. Now it is making all-out effort to regain its past glory by pushing its existing products more aggressively and launching newer ones which would occupy the shelves of Indian kitchens. "We are trying to redefine our businesses and finances," says Chiranjiv Vaghani, CFO, Milton Plastics. Adds Madhup Vaghani, executive director and in charge of marketing: "We want to extend our newer product range to the customer who relates to our brands."

According to a company watcher, the management has realised that in today's environment a lot of emphasis is paid to brand value. "Instead of concentrating on building up its brand further, the management paid more attention to businesses such as leasing and hire purchase and trading in plastics. Now they seem to be paying more attention on brand building," says he.

Started in the early 1970s, Milton began with a small unit to churn out plastic items such as tumblers, mugs, boxes and PVC footwear. In the 1980s, the company ventured into the unexplored terrain of thermoware products and over the years launched these products with new generation insulating material such as polyurethane. Water bottles and jars, tiffin boxes and flasks and casseroles were rolled out. Today, the company commands a 45 per cent marketshare in this segment of business. But how has the company managed to hold its own in a segment which is largely dominated by the small scale sector? Quality, quality and quality. "We have used FDA approved food grade plastic material, which none of the small manufacturers do," says Chiranjiv.



Madhup Vaghani is trying to regain Milton's past glory

To reduce its dependence on thermoware, Milton conducted a survey to find out other business opportunities. It found out that it needed to offer "value-added synergetic products which were congruent to its flagship brand." The company introduced electrical kitchen appliances such as toasters, sandwich makers, hair driers and hand mixers under the brand name `Euroline'. This is yet to become a major contributor to the company's kitty.

Simultanesously, it has entere into the non-stick cookware segmer Though the market is crowde Madhup is confident of making mark with its quality. "The penetr tion level in metros and non-metros non-stick cookware is just 20-25 p cent. There is a lot of untapped pote tial," he says. His products wou consume less energy (because instant heat dispersement at tl bottom of the non-stick ware) ar have better surface coatings. The oth products Milton has up its sleeves a soft bags and collapsible water bottle "The idea is to make the produc more convenient to carry," sa Chiranjiv.

The company has als succeeded in creating wat purification systems wit in-house R&D. "We have n intention of entering int the water purification bus ness but we are giving acce sories to existing product We have created a cartridg with resin-based techno ogy which can be used i water bottles, jugs and jar and with three phases c filterations, one will ge 100 per cent bacteria-fre drinking water. Thes cartridges are replaceable, says Madhup.

Another segmen Milton is looking to tap i PET bottles, jars an containers. The containe segment is ruled by Tupper ware. The Vaghanis say tha the products would b cheaper than its competito by about 40 per cent Besides their product would be `microwaveable'. At tha price and product capability, thi segment could be a moneyspinner fo the company. "The idea is to give addi tional convenience products to th housewife in the kitchen," say Madhup.

As for the distribution of th Milton products, over the past coupl of years, the company has reached strength of about 180 distributors an over 20,000 retailers. The Vaghani are planning a major marketing pusi

ICICI's new issue

When a Sensex company comes out with a public issue it is certainly an event. The Sensex company which is out with a bowl is ICICI – a development financial institution (DFI). It is charging a premium of Rs63. At present the paper is exchanging hands at Rs80. Is the premium justified?

We looked at ICICI's performance during the last five years – 1994-95 till 1998-99. During this period revenue grew at a pace of 32.67 per cent to Rs7,323.20 crore. Profits rose from Rs413.93 crore to Rs1,000.84 crore, implying a growth of 24.70 per cent. However, earnings per share moved at a lesser pace of 10.99 per cent to Rs20.85 in 1998-99. The reason being substantial dilution in equity in 1996-97 and continuous decline in net interest margin with 1996-97 being an exception. Equity in 1996-97 increased by Rs174.23 crore to Rs475.53 crore mainly due to conversion of GDRs (Global Depository Receipts), greenshoe option of GDR issue, and merger of SCICI with ICICI. The two financial years following 1996-97 witnessed negligible increase in equity. As of March 1999, the same stood at Rs480.09 crore. However in the second quarter of 1999-2000, further dilution took place, as a result the equity capital now is Rs514.62 crore. Net interest margin in 1994-95 was 4.14 per cent which has slid to 2.56 per cent in 1998-99.

The increase in share capital and decline in margins should be seen in conjunction with the growth in assets. The latter grew at 31.70 per cent to Rs58,546.71 crore in 1998-99. Perhaps in a bid to increase assets, ICICI has expanded its equity, explored other sources of funds like preference capital and loans (rupee and foreign currency) all of which has put pressure on margins. Another reason proffered for this poor track record is that ICICI is stretching itself thin. In other words, the company is into too many areas like funding traditional manufacturing sectors, infrastructure, retail segment, securitisation. No doubt a section in the market views ICICI as a directionless financial institution and not as a development financial institution. Perhaps these tangibles and intangibles have lent ICICI a poor image.

Instrument	Equity shares of Rs10 at a premium of Rs63
Issue size	: Rs275.21 crore
Issue opens	: 9 September 1999
Issue closes	: 14 September 1999
Objective	: Strengthen capital adequacy and meet its normal fund requirements
Listing	: National Stock Exchange, Mumbai; Vadodara, Calcutta, New Delhi and Chennai Stock Exchanges
Post issue equity	: Rs552.32 crore

But what do the final arbiters, i.e., the bourses, say? Consider this: during fiscal 1998-99, State Bank of India (SBI) had assets of Rs2,22,509.02 crore and a profit of Rs1,027.80 crore. SBI today is being traded at Rs242 and the price to earning multiple (P/E) on 1998-99 earnings works out to 12.40. While ICICI's size is 26.31 per cent of SBI, its profits at Rs1,000.84 crore are almost similar. Yet ICICI's share is being discounted at 3.84 on 1998-99 earnings. This low discounting underscores ICICI's poor image. Taking all this into consideration, the premium ICICI is asking appears on the higher side. There is no gainsaying the fact that three of its principal domestic shareholders viz. LIC, GIC along with its subsidiaries and UTI, are buying shares (preferential allotment) amounting to Rs500 crore at the same premium. These companies (LIC, GIC & UTI) in market circles are perceived to be ICICI's "brothers and sisters". The post-issue stake of financial institutions will fall 2.34 percentage points to 31.88 per cent and that of the Indian public will go up from 17.67 per cent to 23.29 per cent.

Finally, the latest fashion statement in Indian corporate circles which ICICI is also mouthing. "We are adopting United States Generally Accepted Accounting Principles (US GAAP) and preparing to get listed in uncle Sam's country." Should not ICICI improve its discounting in the local bourses before moving on to the overseas turf? •

and educating the customers on product quality and life. Besides, Milton franchise shops are also being planned. The marketing push and the new product launches would require a lot of money. Though the Vaghanis are chary of talking about how much the exercise would cost, industry estimates range from Rs5 crore to Rs50 crore depending on whether the products would be launched in phases or at one go. Clearly, the company would have to look at privately placing equity/quasi-equity to fund the plans. For the stock, ruling at Rs25, does not seem to have a fancy among investors and the fundamentals of the company show that the funding cannot be shouldered by internal accruals.

On a turnover of Rs328.87 crore for the 18 months to September 1998, Milton netted a profit of Rs1.06 crore. (The company changed the accounting period because of a fire in one of its factory last year). For the nine-months to June 1999, the company raked in as turnover Rs132 crore with its net profit being Rs1.61 crore. The earning per share works out to Rs2. With the new products in the pipeline together with the marketing push and a brandname that "has a $50 million corporation tag", the discounting would be much better in the long term.

• ROY PINTO

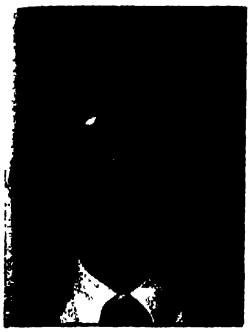


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HILTAN PARIKH

The author is director of Pelay Investments Private Limited, an investment advisory firm

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The options bubble

Employee stock options are not being properly accounted for. Otherwise many companies that went in for them would not be showing profits

Excerpts from the latest 1999 Bonus Edition of *Outstanding Investor Digest* where value investors of Sequoia Fund (headed by Buffetville investor Bill Ruane) had the following to state at their annual meeting on 16 April 1999: "While companies are permitted by current accounting guidelines to expense options directly through their income statement, to date none has volunteered to switch to this stricter reporting standard. And who can blame them? The widespread overstatement of earnings due to the non-recognition of option expense is equivalent to grade inflation in schools. Is it at all surprising that executives, now heavily incentivised by stock price appreciation due to their large options stakes, have not stormed the gates to join the class of the professor who uses tougher grading standards?

"The basic problem with Black-Scholes and other mathematical option-pricing models is that they assume the current market values accurately reflect intrinsic value — in essence, they assume the stockmarket is efficient.

"In determining the level of aggregate annual stock option grants and the size of individual employee awards, the vast majority of compensation committees, by using the Black–Scholes model accepts this flawed assumption. These committees abdicate their responsibility by relying on compensation consultants armed with seemingly scientific options valuation models and impressive peer group analyses.

"While one could debate some of the finer points of valuing the cost of options grants, any reasonable estimate suggests that the cost is much too large to be ignored. In fact, the conventional option valuation models have, over the past 15 years, been off by hundreds of country miles in the aggregate, and by light years in many individual cases.

"The fatal flaw of these models is their inability to differentiate between real diamonds and cubic zirconium — between undervalued and fully priced merchandise. In other words, these models do not even attempt to capture differences in capital appreciation potential.

"One method of option valuation that is both observable and quantifiable is to impute an expense based on a retrospective calculation of the actual value transferred — that is, the difference between the grant price at the time of issuance and today's stock price.

"We thus utilised this methodology to calculate the options-adjusted 1995 earnings of the 10 stocks which made the greatest contribution to the increase in the S&P 500 Index in 1998. We excluded Lucent and MCI worldcom, which didn't exist in their current form in 1995 and replaced them with numbers 11 and 12 on the list, Merck and Home Depot.

"Using this method, the option-adjusted earnings for this group of companies in 1995 would have been a staggering 65 per cent lower than what those companies reported at the end of 1995. In fact, this adjustment to earnings wipes out the reported earnings of four of the 10. Incredibly, in the cases of Microsoft and Cisco, the derived options expense was roughly 10 times reported earnings.

"Applying the retrospective valuation methodology to Microsoft's past and current employee base is quite an interesting exercise. At the current market price we estimate that the value of options granted since Microsoft went public in 1986 is many times the company's cumulative net income since its founding.

"From this case study, we would invite you to consider the following hypotheses: first, after adjusting for the ultimate value of stock options granted during its corporate life, Microsoft has never earned a penny for its non-employee owners. Indeed, when it comes to distributing profits, this global hi-tech powerhouse has operated more like an agrarian cooperative than like a publicly-owned corporation. Secondly, Bill Gates, the icon of late 20th century capitalism, could instead be history's most successful communist!

"However, if the P/E is high enough and the number of option grants is great enough, there is no salvation..."

Investors should apply the value-oriented thinking of Sequoia Fund to the doyen of India's software industry, Infosys. Let me state quite categorically that I have deep respect for Narayana Murthy and his team. On page 142 of the 1998–99 Infosys annual report is a table, a partial excerpt of which is replicated below. Look at the numbers highlighted and compute the compensation that Infosys has not

captured in the P&L account because of accounting convention — about Rs157 crore by a quick back-of-an-envelope calculation, or more than its entire profit before tax of Rs155 crore.

Sebi's accounting guidelines for stock options which came into force from 19 June 1999 and are based on US GAAP stock options accounting, are for the reasons discussed below to be faulted.

1. The use of the Black–Scholes formula, which completely understates the value of stock options granted and more so when reset provisions are allowed (section 7(1) of Sebi guidelines). The 1998–99 annual report of Infosys shows the *pro forma* effect of stock options with the Black–Scholes formula and the dilution in earnings is minimal as contrasted to the value actually arrived at in the computation above.

2 The accounting treatment laid out in Schedule 1(7) of the Sebi guidelines considers only the difference between the market price at the time of grant and the exercise price for the computation of the option value which looks to be wrong since the value of the option exercisable over a period is obviously higher if an assumption is made about higher growth than the cost of capital in the earnings power of the company. Sebi should note what Lord Keynes said about being roughly right rather than precisely wrong.

That the accounting method is nonsense can be seen from the following example. Suppose the current market price of a company is Rs100 and the exercise price of the stock option with a vesting period of five years is Rs80. Sebi recognises the value of the option as Rs20 (Rs100 – Rs80), to be expensed over five years. It ignores the time value of money. If the company is expected to grow at 30 per cent per annum over a five-year period and its cost of capital is 15 per cent, then assuming that the current market price represents the intrinsic worth of the company, the true value of the option is Rs144.82. What Sebi would have accountants record as Rs20 is actually worth Rs144.82 and the difference is huge.

Put simply, the true value of the option is the present value of the difference between intrinsic value of the company on the date of expiration and the exercise price. This can than be expensed over the vesting period. But since employee stock options (ESOS) are recurring costs which are to be expensed on a rolling basis, for a company that has just begun issuing options the *pro rata* compensation cost may not be representative of that to be expected in future years. However, eventually, this will make little difference.

	1999	
	Shares arising out of options	Weighted average exercise price
1994 Option plan:		
Outstanding at the Beginning of the year	518,600	
Granted	992,200	$1.18
Forfeited	(18,200)	$1.18
Exercised	(1,328,600)	
Outstanding at the end of the year	164,000	
Exercisable at the end of the year	—	
Weighted-average fair value of grants during the year at less than market		$36.85

Source. Infosys Technologies Ltd, annual report 1998–99, p142

Fingers will be pointed that this method is open to abuse because of the assumption made about the rate of growth and the discount rate. But in accounting, assumptions are made all the time. Nobody knows how long an asset is really going to last and therefore what the actual depreciation period should be. But that does not stop depreciation expenses from popping up on the P&L account.

So should an item of cost be ignored because it can't be measured? Obviously not. Accounting abounds with estimates and such estimates have to be made by prudent, rational, and independent experts. Sebi's accounting would have financial statements measurable and wrong rather than estimable and right.

In fact, there is one and only one scenario in which Sebi's accounting guidelines for ESOS make sense. In the hypothetical example illustrated above, the employee availing of the ESO should be made to buy the share on the market at Rs100, the company should subsidise the difference (Rs20) between Rs100 and the exercise price of Rs80. For the purchase the employee should be given a loan by the company at a rate of interest equivalent to the company's cost of capital. The shares purchased should be hypothecated to the company with additional security if necessary with the clear condition that, at the time of exercise, the loan will have to be repaid in full irrespective of the then prevailing market price of the company. The criticism that there is a lock-in is obviated by the fact that the shares are issued at a discount, a facility not available to outside shareholders.

But one wonders how many employees would welcome such an ESO. That is precisely the reason why Sebi's accounting treatment is wrong — it ignores the time value of money.

The reconciliation of options granted and exercised are given below by the company.

Pre-bonus grant	4,14,100
Add: bonus factor	4,14,100
Subtotal	8,28,200
Add: post-bonus grant	1,64,000
Total	992,200
Number of shares exercised	664,300
Add : bonus factor	664,300
Total	1,328,600

A – Numbers of options granted and exercised: 992,200
B – Weighted average fair value of grants during the year at less than market: $36.85
C – Exchange rate: Rs43/$
The working is as follows (A * B * C)

and it allows 'reset' clauses, significant items of value that are not captured in its accounting treatment. How would you like to travel across an ocean in turbulent weather when the captain and the crew members wear life jackets, and you as a passenger paying your fare in full are denied access to the same life jackets? As an outside shareholder in a company liberally handing out stock options, that is precisely your condition. And the beauty of the accounting treatment is that you would not even know when the ship had started to sink.

A few analysts have mentioned that the stockmarket has already discounted the stock option expenses and that skilled human assets add enormous value. The roaring US market is cited as an example. I think not. Ben Graham noted that it's Mr Market's pocket that an investor should be concerned with, not its wisdom. Undoubtedly, skilled manpower is a huge intangible, but its costs should be correctly expensed, just as advertising costs are expensed when brand value is created. Furthermore, a reader from Dresdner Bank has asked the following questions: "As an afterthought, how would Infosys and Microsoft treat ESOs if Microsoft gave employees options on Infosys stock and Infosys gave its employees options on Microsoft stock? A hazardous way to attempt employee motivation, but the companies will surely not "amortise expenses" any more?

And this becomes vital because most investors react to accounting earnings per share (EPS) rather than economic EPS. Does that mean that Infosys in this case has no earnings power? No. It only means that its accounting EPS is not representative of what it has really earned. Were it to record options costs based on economic value, the compensation committee at Infosys would have presumably been a lot less generous in handing out stock options.

An investor should not be fooled into believing that "intrinsic" or "fair value" accounting for options calculates the real economic damage to the company's outside shareholders. If the company does not hedge, or otherwise immunise the stock options it issues, it is writing naked call options on its share price — the higher the share price, the greater the economic costs to the company and its outside shareholders. But the issue does not stop with hedging the risk. The cost of hedging and its accounting treatment is also important. In whichever method one chooses to employ to immunise stock options, i.e. purchase of equivalent call options in the market or delta hedging strategies, there is a cost which must be recognised.

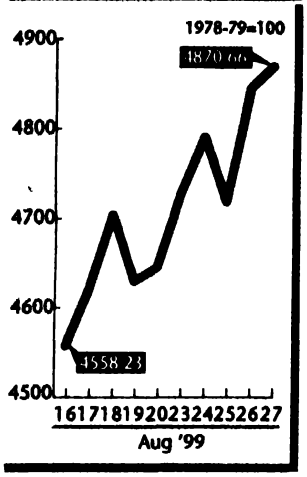
What do I think will happen in the future?
a) Capital markets will ultimately see through the accounting distortions and adjust prices accordingly.
b) Accounting standards will change to reflect the economic reality of stock option values and compensation committees will then note the quantum of their generosity.

Investors must hope that scenario b) happens rather than scenario a).

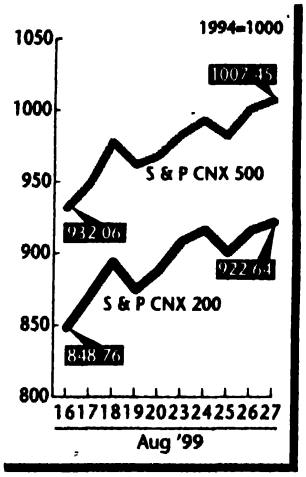
In the book *Devil Take the Hindmost* by Edward Chancellor, the history of the South Sea bubble has been well recorded. The promoter of the South Sea company was Sir John Blunt. "Blunt's distribution of share options in the South Sea Company anticipates the behaviour of US companies in the 1990s which have distributed options like confetti at a wedding party. There are reasons to believe that the excessive distribution of stock options contributed significantly to the inflation of a speculative bubble: companies did not report the cost of options in their profit-and-loss accounts, they took on debt to repurchase shares for options schemes and used accounting tricks to smooth their earnings growth. At times, buybacks for share options have resembled a Ponzi scheme. For instance, Gateway 2000, a computer manufacturer, announced in June 1997 that it was repurchasing shares at $35 which it had issued 20 months earlier for $14.50. Executive stock options were particularly lavish at Sunbeam, a consumer appliances manufacturer, and Cendant, a marketing company, both of which fraudulently overstated their profits for 1997. Sir John Blunt was a man before his time. Were he to return today, he would be hailed as a champion of 'shareholder value'." •

Indicators for fortnight ended 27 August 1999 — Equities

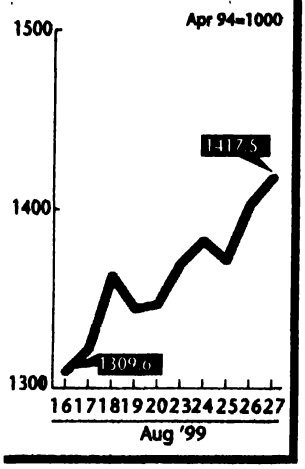
BSE-Sensex



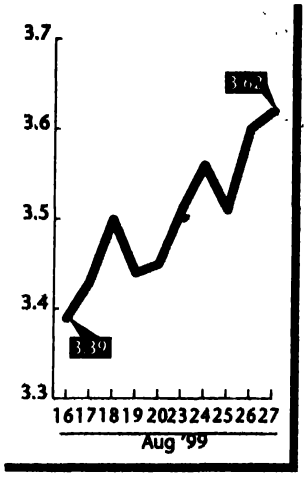
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



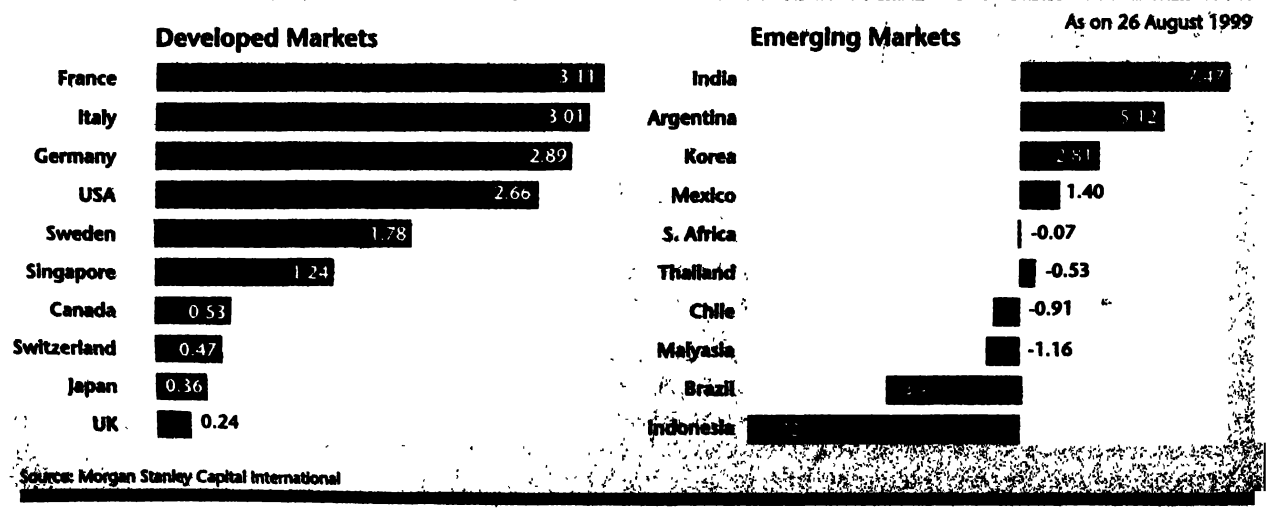
S&P CNX 500 -Best Performing Industries

Industry Name	2-week % change	Yearly % change
Paper & Paper products	44.64	184.74
Tea & Coffee	42.59	84.44
Telecom-Equipment	39.52	315.41
Textiles- Cotton	32.12	48.12
Paints	31.17	51.69
Power	27.31	25.95
Plastic & Plastic products	26.45	79.60
Steel & Steel products	25.90	63.33
Hotels	24.94	37.99
Chemicals-Organic	24.58	250.50

S&P CNX 500 -Worst Performing Industries

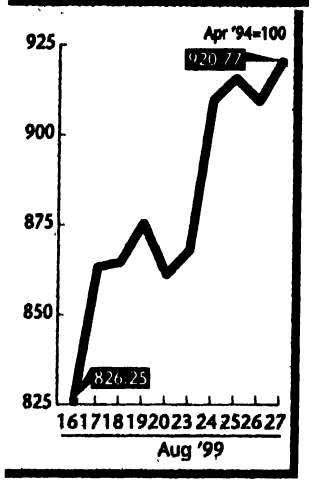
Industry Name	2-week % change	Yearly % change
Compressors/ Pumps	-5.10	34.94
Bearings	-4.32	82.10
Computers- Software	-0.45	161.30
Gems, Jewellery & Watches	1.85	90.41
Banks	3.14	19.47
Cables-Telecom	3.40	286.87
Automobiles- 2&3 wheelers	3.92	13.35
Personal Care	4.07	73.41
Tyres	4.97	105.41
Finance- Housing	5.32	6.91

Monthly change in world stock indices

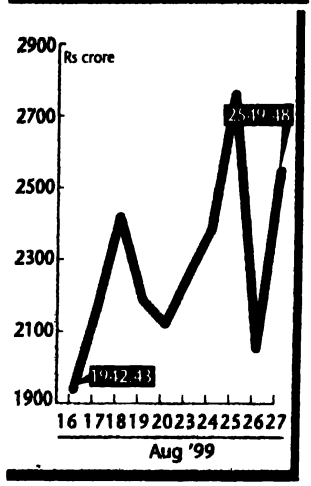


Equities

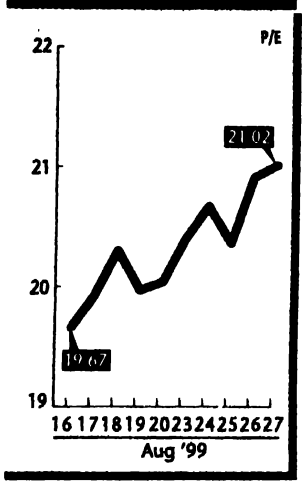
Skindia GDR-Index



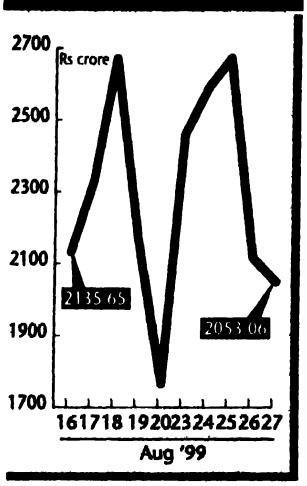
BSE-Volumes



Sensex P/E



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-27 Aug Rs	2-week % change	52-week High/Low
Timex Watches	22.50	-14.29	27/10
Kinetic Engineering	117.90	-12.63	146/67
Coates of India	140.00	-11.67	176/65
Indian Rayon	69.40	-11.03	224/55
Raasi Cement	220.00	-10.57	290/156
Ingersoll Rand (India)	504.95	-9.35	589/380
SKF Bearings	1300	-8.32	1520/523
Satyam Computer	879.25	-7.95	1000/224
Kinetic Motor Co.	48.15	-7.31	56/23
Pentafour Software	578.00	-6.92	699/235

S&P CNX 500 -Best Performing Stocks

Company	Price-27 Aug Rs	2-week % change	52-week High/Low
Jindal Strips	131.15	145.37	131/51
Bharati Telecom	178.05	78.32	149/80
Caprihans India	49.85	77.40	50.20/13
J.B. Chemicals & Pharma	175.00	76.86	180/67
I T C Bhadrachalam	58.05	75.91	58.05/15
Torrent Pharmaceuticals	260.00	73.33	263/65
Essar Steel	17.60	70.87	19/6
Mukand	59.90	67.32	60/17
Sesa Goa	222.00	60.29	224/80
Satnam Overseas	33.55	60.14	34/10

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price-27 Aug Rs	2-week % change
Reliance Industries	626.05	185.15	10.74
Tisco	398.57	137.95	0.15
ACC	353.94	259.00	15.47
L&T	347.04	411.00	23.61
TELCO	336.89	311.00	24.52
SBI	332.80	238.00	0.95
SAIL	255.82	9.00	18.42
Videocon International	218.79	97.50	39.78
MTNL	205.09	202.00	10.50
Rolta India	191.92	150.00	0.00

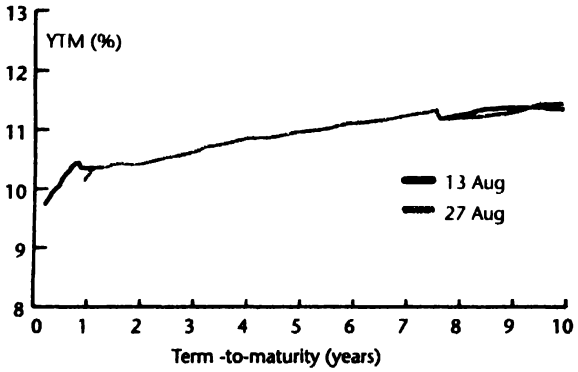
S&P CNX 500 -Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price-27 Aug Rs	2-Week % change
Hindustan Lever	57303.65	2681 00	4.12
ITC	24290.72	1056.00	12.70
Wipro	23561.86	5348.00	10.27
Infosys	18358.58	5600.00	2.75
Reliance Industries	16572.35	185.15	10.74
SBI	12715.41	238.00	0.95
MTNL	12510.08	202.00	10.50
Ranbaxy	11772.22	1065.00	7.47
VSNL	10555.88	1086.90	-1.44
L & T	9066.18	411.00	23.61

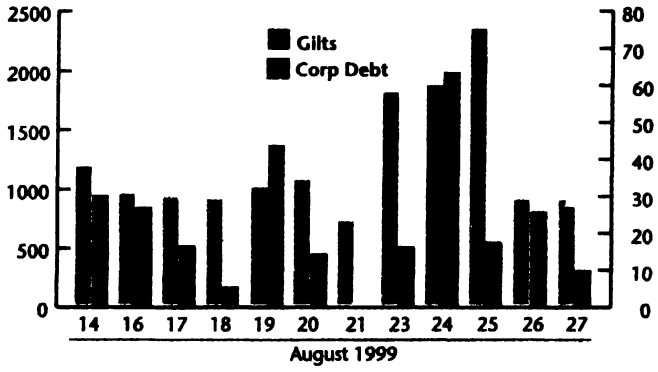
Source: *India Index Services and Products*

Deb

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	9.28	9.84	Call eased as liquidity improved
Treasury Bills[2]	8.11/9.48/10.31	8.63/9.02/10.28	TB yields climbed as the market was cautious
Bonds (AAA)[3]	11.90-12.10	11.50-11.85	Primary market continued to remain buoyant
Debentures (AAA)[4]	12.50-12.90	11.75-12.00	Secondary volumes miniscule
ICDs[5] (Grade A)	11.50-12.00	11.50-12.00	Not much interest in the market
CPs[6] (P1+)	9.80-9.90	9.70-9.90	Secondary volumes fell; yields steady
PLRs[7]	12.00	12.00	PLRs continue to be steady

1 Call money is fortnightly average rate, 2 Treasury bills (TBs) are cut-off yields on 14 day TBs, 91day TBs and 364 day TBs at auctions, 3 Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5:Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market, 6 Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* Aug 14-27 # July 31-August 13

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
Nalco	NCD	100	2006	AAA	13.17
Rel Petro	NCDs	100	2001	AA	16.54

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
RPL**	—	Bonds/ 13/13.25/13.5	100+OS	7/8/10
Bk of Mah.	—	SD/ 12.6	100+70	80 mon.
Union Bank	—	SD/12.30-12.60	300+200	84 mon.

** Multiple options

Snapshot

The gilts market was subdued during the fortnight. This was due to weakness in the forex market and marginally tight conditions in the bond market. Liquidity eased during the period but only in the second week and refinance was repaid. Call eased to 8 per cent levels after staying close to 10 per cent levels for over a week. Reserve requirements were covered early. RBI announced the price auction of the 11.99 per cent 2009. The auction was fully subscribed at a higher cut-off yield. OMO purchases were once again high. The SBICAP-SYC moved lower marginally. Price gains were small as sellers emerged at most levels. INR weakened sharply on demand but RBI intervention put the brakes on the fall. The INR has since stabilised. The market is expected to be range-bound in the coming fortnight. Overall, the interest rate structure would be steady.

Source: ; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

Business India-Credence: Mutual Fund Performance
Balanced Schemes

If Rs 10,000 was invested in each of these schemes on 20 August 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Price based Rs	% change	Risk grade	Issue date	Redemption date
1	Alliance 95 Fund (Div)	Alliance Capital MF	18667	86.67	18156	81.56	I	25-Jan-1995	Open-Ended
2	Alliance 95 Fund (Gr)	Alliance Capital MF	18660	86.60	18180	81.80	III	25-Jan-1995	Open-Ended
3	Zurich India Prudence (Gr)	Zurich India MF	17555	75.55	13608	36.08	II	29-Jan-1994	Open-Ended
4	Zurich India Prudence (Div)	Zurich India MF	17316	73.16	NA	NA	I	29-Jan-1994	Open-Ended
5	Magnum Open-End Fund '95	SBI MF	16902	69.02	16449	64.49	I	30-Sep-1995	Open-Ended
6	Candouble	Canbank MF	15166	51.66	NA	NA	IV	17-Feb-1990	15-Feb-2000
7	Canstock	Canbank MF	14932	49.32	NA	NA	V	21-Jan-1988	31-Jan-2000
8	Unit Scheme- 1995	UTI	13879	38.79	13450	34.50	II	01-Jan-1995	Open-Ended
9	Canganga	Canbank MF	13604	36.04	13282	32.82	IV	18-Feb-1995	Open-Ended
10	Tata Twin Option (Balanced)	Tata MF	13538	35.38	13494	34.94	I	06-May-1998	Open-Ended
27	Dhanavarsha (7) (Cum)	LIC MF	11238	12.38	NA	NA	I	22-Jan-1996	31-Mar-2002
28	Dhanasahayog C (Growth)	LIC MF	11226	12.26	10811	8.11	III	01-Jan-1991	Open-Ended
29	GIC Balanced Fund	GIC MF	11081	10.81	10771	7.71	II	23-Jan-1993	31-Mar-2000
30	Dhanavarsha (10) (Cum)	LIC MF	11017	10.17	NA	NA	I	20-Aug-1997	31-Aug-2002
31	Dhanavarsha 2(Cum)	LIC MF	11010	10.10	NA	NA	I	01-Jul-1996	01-Jul-2001
32	IISFUS '95	UTI	10995	9.95	NA	NA	I	21-Aug-1995	31-Aug-2000
33	GCGIP 94 (Div)	UTI	10751	7.51	NA	NA	I	28-Apr-1994	30-Jun-2004
34	GCGIP 94 (Cum)	UTI	10751	7.51	NA	NA	I	28-Apr-1994	30-Jun-2004
35	Cancigo	Canbank MF	10537	5.37	NA	NA	I	01-Mar-1988	Open-Ended
36	GIC RISE 91A (Gr)	GIC MF	9466	-5.34	NA	NA	V	30-Mar-1991	31-Mar-2001
	Median Return-Peer Group		12490	24.90	12451	24.51			
	BSE Natex			39.62					
	BSE Sensex			47.25					
	SNP CNX 500			32.52					

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all short-listed schemes.

COMMENTS

Overall the shortlisted balanced schemes have under-performed the benchmark, the composite benchmark of SNP CNX-500 & I-Sec Bond Total Return Index. The annual median return of these balanced schemes has appreciated by 24.90% versus 32.52% in the composite index. As the market indices have been touching all time highs, these shortlisted schemes with significant exposure in equities haven't witnessed significant appreciation Though most of the schemes have started taking fresh exposure in cylical's, this has been very limited as most of these schemes still hold a majority of scrips in infotech, pharma and FMCG sector,

The investment performance, however is not uniform across the schemes with top 6 schemes generating an annual return more than positive 70%, while the bottom 4 schemes appreciated by less than 8%.

In comparison with the last mutual fund ranking (as on July 9th, 1999) on balanced schemes, Tata Twin Option (Balance) from Tata MF have been aded to the top 10 rank while Canstar Sat of Canbank MF has dropped out of the list.

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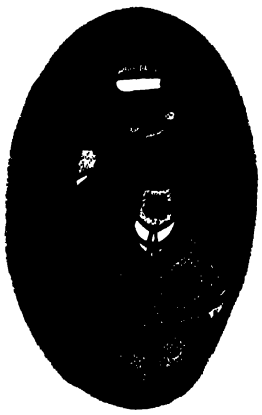
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565 million in cash to
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· ·isco Systems has laid out
·ressive plans to move into
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$7.4-billion acquisition of
·ent Corporation and
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·o paid a huge price – $6.9
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hnologies. Cerent is
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)0 million this year. Cisco
·irman justified the high price tag by saying that if he had not picked up Cerent, the competition would have. The two new companies will bring Cisco upto date with its rivals, Lucent Technologies and Nortel. Optical networking offers the quickest way of sending information over the wires, thereby contributing to the Internet's growth.

◆ Key units of Daewoo, South Korea's second largest conglomerate, may be taken over by domestic creditor banks under a 'workout' programme to speed restructuring. Daewoo continues to suffer a liquidity crisis that threatens to become a bankruptcy one, as the group's management seems to be making little progress in selling off assets to cut debts of $50 billion. Insolvency looms large over Daewoo's future despite agreements with creditors to roll-over $6 billion in short-term debt and provide $3.3 billion in fresh loans. Twelve of Daewoo's 25 units have applied for the workout programme, under which they are to receive new loans and debt payments are to be frozen for three months. A total of $7.7 billion of Daewoo's debt is owned by foreign creditors who may oppose the workout solution unless they are given a role in the restructuring programme.

◆ Fuji Bank, one of Japan's biggest banks, may have inadvertently insulted some of its key investors by e-mailing a computer virus to dozens of fund managers worldwide. Fuji Bank had e-mailed a memo as part of a public relations exercise which announced its plans for a merger with the Industrial Bank of Japan and Dai-Ichi Kangyo Bank which would create the world's largest banking group. The e-mail memo contained a computer virus that will make recipients' computers display a message telling the viewer that he or she is "a big stupid jerk!" from Fuji Bank on the 14th of every month. The bank denied suggestions that the virus may have been the work of employees opposed to restructuring. Fuji Bank had taken the rare step of sourcing some of the information technology procedures from outside instead of relying on its own staff. Normally excessively polite and courteous as a race, the Japanese have surely never faced a problem like this before.

◆ ICO Global Communications has filed for bankruptcy protection in the US, making it the second global satellite communications venture to come tumbling down. ICO Global's $3 billion venture has crashed only two weeks after Iridium, the $5-billion satellite telephone company succumbed to a similar fate. Both companies have sought protection under US bankruptcy code's chapter 11 which is aimed at giving



companies more time with their creditors. Bermuda-based ICO was, like Iridium, set up to create a satellite network capable of carrying mobile telephone calls from anywhere in the world. The company's troubles began two months ago when it failed to raise $500 million from shareholders.

◆ Luxury carmaker Rolls-Royce has signed a deal with US company, FastShip. The deal is to see the adaptation of its aircraft engines in powering a generation of fast ships capable of crossing the Atlantic at speeds of up to 40 knots, that is twice the speed of conventional container vessels. Rolls-Royce claims that the $1-billion deal will change transatlantic maritime trade forever. The year 2003 is to see the start of commercial services of the four high-speed container ships. The ships are to carry goods that companies would want to move across the Atlantic swiftly but were too expensive to fly. The ships are expected to carry components to US car factories in Europe. Rolls-Royce has announced half-year pre-tax profits up 18 per cent to £159 million on earnings up 6 per cent to £2.1 billion.

WORD COUNT

"It's not for me. I'm not going to be here very much longer. It is the residence of the prime minister of Malaysia, not of Dr Mahathir the Pharoah."

Malaysian prime minister, MAHATHIR MOHAMMED, whose vision critics attack as being fit for an Egyptian king, disowning the pinkish stone fantasy topped by a green onion dome that is to be the country's official new home for its PM, in NEWSWEEK.

"Maybe I'm crazy, but I don't consider this a crisis. I don't think our problems are in the fabric of our company. And I don't have my head in the sand."

The hands-on CEO of Walt Disney, MICHAEL EISNER, justifying his method of tackling his company's reduced earnings, defection by top executives and Disney's stock plunge, in FORTUNE.

"We've been so lucky this year. We caught Abdullah Ocalan (the Kurdish rebel leader), and look what's happened now: our country has been cursed by the evil eye."

A Turkish official blaming the state of his country after the devastating earthquake and fire at Turkey's largest petroleum refinery on the evil eye, in THE ECONOMIST.

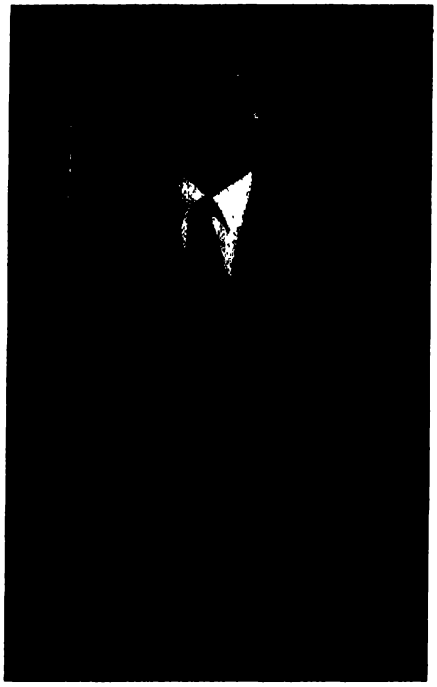
A go-getter

Ajay Srinivasan is the archetypal investment banker — dark suit, red tie, white shirt — but unlike some of his peers, he speaks in measured tones. But his body language is that of an aggressor, a busybody, somebody hungry for more. Maybe that is the reason why Srinivasan has taken the bullet train to Prudential ICICI. The 55:45 JV between Prudential plc and ICICI which started out with just Rs160 crore asset base has, in a short span of time, bridged the Rs2,000-crore chasm. From two products, there are now eight on offer for the investor. The organisation has 15 offices across the country.

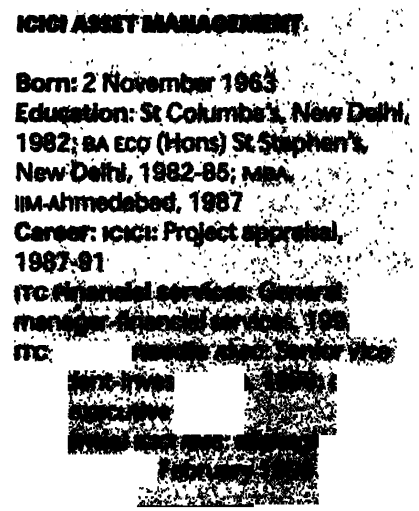
Srinivasan met ICICI joint MD Lalita Gupte on a plane, they got talking and she sounded him out on what is his present assignment. Just like that! Srinivasan claims that he landed the job by pure chance and, "at ITC Threadneedle, I had felt there was tremendous potential in the mutual fund business which was not being tapped to the hilt. Prudential which runs out of Hong Kong understands the dynamics of doing business in Asia and this is a big plus."

In retrospect, Srinivasan reckons that when he left school, he was keen to pursue academics and even take a shot at the civil services. But as he says, "I didn't want a standard job — not pure marketing, nor pure finance, I was inclined more towards general management. I took the MBA exam by chance and found IIM-A a terrific experience on the learning curve." Soon after passing out from the management course, he chose the ICICI job because it gave him a vantage point to different industries. In the project appraisal division, Srinivasan was exposed to some 40-odd projects across the industrial spectrum — from steel to cement to consumer durables. He was also part of a key initiative at ICICI to hone India's export competitiveness. A World Bank sponsored study entailed a trip to Arthur D Little in Boston for a three-month course.

He says, "ICICI gave me all-round exposure and offered a genuine reality check of industry. Now it was time for



Ajay Srinivasan



me to transcend that role. Around this time, ITC was setting up a financial services division in Mumbai which incorporated insurance and asset management. Once again I thought that it would provide me with a window to asset management on which I was very keen." Which brings us to the oft-repeated criticism of ICICI as a very ponderous, maladroit and bureaucratic organisation. Not a lean and mean fighting machine. Srinivasan shrugs off the charge, "ICICI has always been ahead of its time. It has utilised its thought processes to evolv constantly over the years. And eve now it is taking several initiatives t stay ahead of the pack. I think this all gation is incorrect."

Srinivasan is a cricketer and a writ with a bent for the Net which he rec ons is going to change urban life in th country; all it requires is some ke policy thrusts. At ITC, which had see several abortive forays in finance wit Classic (subsequently taken over b ICICI) and later Peregrine to finall enter into wedlock with Threadnee dle, Srinivasan jumpstarted the ne ventures but always worked for IT Financial Services, till he moved to th new JV with Threadneedle as head c investments. With this he began hi innings in the world of capit markets. His exposure to industry a ICICI stood Srinivasan in good stea dovetailing it as he did with the IT experience, taking him to the nex level of competency. Both the IT Threadneedle Funds — Top 20 (equity) and High Interest — wer started during his tenure. In fact, thes are the only two funds ITC Threadnee dle has launched.

Srinivasan says, "As a fun manager, I was able to see a cross section of industries from a stockmar ket point of view. But once again, didn't want to remain a fund manage all my life. My contention was tha once you have dealt with equity, you know how to take calculated risks an are blessed with a sense of intuition which ultimately enables you t follow your own model. With thi behind me, I could now take the eleva tor to general management, some thing that I had always wanted to concentrate on."

While Srinivasan is no longer an active fund manager, he contributes to the JV's overall business strategy with his critical inputs, but prefers to hard focus on distribution and marketing imperatives, as also look at people issues using his leadership skills potently. And he has his own ideas on the metamorphosing of the Indian stockmarkets. Change is everywhere, but more so in the markets which are piercing the stratosphere these days. Says he, "We are clearly becoming an institutionally driven market. Mutual

nds have lately done an excellent job oviding innovative products. And a w of them at that! The savvy retail vestor bereft of investment outlets s begun to use this route. I am not ying that the adrenalised retail vestor has disappeared, no, he is very uch there and playing."

The shift towards mutual funds, cording to him, is real and here to y. While bank deposits are presently the vicinity of Rs700,000 crore, the utual fund industry has garnered 80,000 crore, beginning to wean ople away from the banks. With ofessional fund managers making cisions about the savings of the *hoi olloi*, it will no longer be a 'discreonary income thing.' Srinivasan ters the example of Chile where fund anagers are handling retirement onies in a big way. He reckons that e same thing will start happening in dia too when provident fund and ntractual savings will give way ewer avenues of savings.

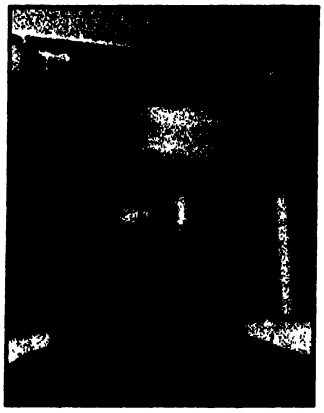
A gung ho Srinivasan avers that the F industry should grow by 25 per nt year on year. He gives Prudential-'s example whose growth has keted by 900 per cent in one year. t the moment, the primary task of utual fund managers is to accelerate e pace of conversion, by bringing additional methods of savings into e MF mode. He is bullish on equities cause the markets have become ature, efficient and transparent. Says e, "Inflation is down, corporate ctor is finally awakening, savings are creasing, interest rates are down — e climate is favourable for equities. litical instability has been s ounted, for all the political parties very much in unison in terms of nomic promises; look at their ifestos. This year could well be the her of all years as far as the Indian kmarkets are concerned."

inivasan, a keen sportsman, is much a team player and feels that helps him in his work. And when-he has the blues, he bounces ghts off his father Srinivasan Iyer, ormer managing director of Eter- Everest. But right now he is ming his favourite tune — *Money othing* by Dire Straits!

◆SANDEEP BAMZAI

FRONTRUNNERS

Pace-man

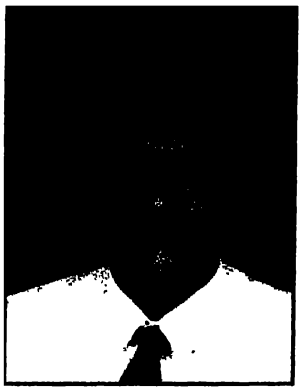


J.C. Giri almost has a passion for pace. The 28-year-old managing consultant (outdoor) for Ogilvy & Mather's "the media network" travels a week every month, works 12 hours a day, and watches Grand Prix racing on television for recreation. In the four years since he joined the agency's outdoor media planning and buying wing as a media assistant, Giri has been promoted five times. When he moved to head Mumbai from Chennai a little over two years ago, the agency's outdoor business from the city was all of Rs2 crore. It has since grown to Rs35 crore, contributing as much as 60 per cent of countrywide revenues.

Watching billboards in his college days first fired Giri's interest in outdoor advertising as a career. Fresh out of college in Chennai, he joined Selvel Vantage, the prominent hoarding supplier. "It was at Selvel that I learnt the tricks of the trade," he says. With increasing competition from rival agencies, this experience should surely help O&M consolidate its first-mover advantage. In addition to heading Mumbai, Giri is also implementing Oscar, the agency's Outdoor Site Classification and Audience Research model for nine cities. "We have to get more accountability for the sites," he explains.

◆ NAMRRATA DUTT

Inward-looker



Talk is cheap. It's the walk that is difficult," says 31-year-old Darshan Bijur, head of business development at KPMG. And it is this art of implementing what others believe only in talking about that Bijur considers his forte. At KPMG his job responsibilities include not only dealing with clients but also explaining "the fairly new" stream of business development to people working at KPMG. "Looking inwards is as important as looking outwards," says Bijur, who joined KPMG 1_ years ago to set up its business development division. Today he reports directly to the CEO and, among other things, looks after formulating and articulating strategies for the Indian chapter of KPMG, ensuring their implementation and creating fresh client bases for his company.

Bijur, of course, has enough experience in the field of business development to know what direction to take as he set up the business development wing at Ernst & Young before he joined KPMG. "At Ernst & Young my CEO agreed with me when I said that we had to change the way our clients perceived us. We needed to get our positioning right and present ourselves in a particular manner," says Bijur

Though Bijur finds business development a very challenging field ("it's not a part of the traditional management structure, so you are learning a new thing every day"), he still looks back at his first job with ANZ Grindlays Bank with maximum fondness because he met his wife to be there. "But then the bank had a policy that only one of us could work with them, so I left and joined Ernst & Young, ' he says. Now, of course, things have settled down in more ways than one. Bijur loves travelling and his job with KPMG gives him enough scope to be out of Delhi for at least 10 days every month. "I also manage two holidays when I go whitewater rafting in the Beas to get my batteries recharged," he says. But there's another reason for his satisfaction: "It feels good that I managed to break into a field where it is generally assumed only MBAs can do well," says he with a laugh.

◆ PUNAM THAKUR

Global managers

Hindustan Lever has established itself as a global supplier of top-notch managers to Unilever's worldwide system. Now it's the turn of Pepsico India Holdings. The soft drink company's head of planning, Samresh Parida, has been recently posted to Pepsico's worldwide headquarters in Purchase, New York. He will be working in the planning department as part of a team under vice-president Indra Nooyi who fronts Pepsico's M&A moves. Parida, who's been with Pepsi for seven years, will be replaced by Vinod Rao who comes on board from ICI.

Another multinational, Warner Lambert, is picking talent from India too. Rohinish Hooda, 33-year-old director-marketing for consumer health products at Parke Davis (a Warner Lambert subsidiary), has been appointed as country manager for Indonesia. Benadryl and Gelusil are two of Parke Davis' popular healthcare brands.

Restructuring spree

Kumar Mangalam Birla is slowly but surely restructuring the mighty empire left behind by his late father, Aditya Vikram Birla. *Business India* has been regularly reporting the organisational changes at the group in these columns. A few months ago, Grasim's textile business was bifurcated into the spinning and fabric divisions. Vikram Rao, till recently president of Arvind Mills' shirting business, is now Grasim's new group executive president-fabric and apparel business. S.B. Agarwal, a company old-timer, will head the spinning division. Grasim also has a new director in Mahesh Bagrodia, who also continues to be on the board of the Birla Management Corporation, the group's strategic thinktank. Initiatives are also on in the information technology (IT) front. L. Sunder Rajan has joined the Birla Management Corporation as vice-president-corporate IT. Sunder Rajan was earlier group head-IT at SHV Energy India, a subsidiary of the Netherlands-based SHV NB. Other roles are also becoming clearer. Saurabh Misra, who had joined the Birlas from ITC earlier this year, it is learnt, will be heading all of the group's cement businesses, which are being put together.

Taking flight

With the retirement age at Air-India back to 58 from 60, there has been a spate of movements in the senior echelons of the airline; particularly in its commercial department, a key division which includes such functions as marketing, travel agents and the like. P.L. Goregaonkar, deputy commercial director-coordination, has moved to New York as regional director for US and Canada. P.K. Sinha, commercial manager-marketing is now regional director for India. V.G. Kashyap, who was deputy regional director-India is officiating as deputy commercial director-marketing and D.H. Khusrokhan, who was commercial manager (traffic services), is also officiating as a deputy commercial director-marketing services.



Kashyap is one among the senior echelons of Air-India, who has been officiated

Moving up

Change remains the operative word at Colgate-Palmolive. Preparing for a gritty battle royale with rival Hindustan Lever, Sudarshan Joshi, senior brand manager-double protection and calciguard, has been promoted to regional manager-sales for Maharashtra for all toothpaste brands. His brief is to beef up brands. The latest ORG-Marg analyser report reveals that Colgate toothpaste brands have a 47 per cent share in the urban market and 58.25 per cent in the rural market, giving it a total marketshare of 51.1 per cent. Cibaca, a division of CP, meanwhile, has a 0.53 per cent of the urban market and 0.44 per cent share of the rural market.

Recently launched Colgate Super Shakti, considered one of the better formulations in recent times, is expected to enable CP to garner a larger marketshare. Against this, HLL commands a 39.25 marketshare in urban areas and a 32.29 share in rural areas. Take the battle to Levers is the *mantra*.

Shifting gear

Abhay Firodia's Bajaj Tempo has lately been in the midst of launching new products and aggressive marketing to complement its stable of light commercial vehicles like the Matador and the multi-utility Trax. R.N. Somai, an auto industry veteran, is to soon join the company as its new chief operating officer (vehicles). He was till recently the managing director at Premier Auto Electric, an auto spare parts marketing company owned by the Doshis of Premier Auto. Chairman Arvind Doshi, it is learnt, will now become managing director of this company as well. Somai will be based in Pune and will oversee the manufacturing, purchase and marketing of the above vehicles. Reportedly, Firodia is also looking to appoint a new chief for its tractors division.

There is also a change of guard at marketing for Park Avenue, the Raymond Mills brand. P.K. Sengupta, who was heading sales at Berger Paints, will now be the new general manager-sales and marketing, for Park Avenue.

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Day 1 : October 14, 1999 (Thursday) 5.00 PM Onwards

Opening Address and Welcome - Mr. K. K. Nohria, Chairman & Managing Director, Crompton Greaves Ltd.

Speakers :
Mr. Rajeev Bakshi, Managing Director, Cadburys India Ltd.
Mr. Ashok Wadhwa, Managing Director, Ambit Corporate Finance Pte. Ltd.
Mr. Ganesh Natrajan, Managing Director, Aptech Limited
Dr. Rajan Saxena, Director, Indian Institute of Management, Indore
Mr. S. M. Datta, Chairman, Times Bank. (Confirmation awaited)

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PRESENTS

THEME SEMINAR
Day 2 : October 15, 1999 (Friday) 9.30 AM

Session 1 : Investing for the new Millenium - Opportunities & Perspectives
Speaker : Mr. Ajay Srinivasan, Managing Director, Prudential ICICI
Session 2 : Obtaining a Sustainable Advantage
Speaker : Dr. Reena Ramachandran, Chairman & Managing Director, Hindustan Oil Corporation Ltd.
Session 3 : Global Strategies
Speaker : Mr. Sridar A. Iyengar, Chairman & Chief Executive, KPMG Peat Marwick
Session 4 : Scenario Planning - Competitive Foresight Scenario
Speaker : Mr. Shailesh Haribhakti, Sr. Partner, Haribhakti and Co. (Chartered Accountants)
Session 5 : Structuring Strategic Decisions
Speaker : Mr. Neeraj Bhargava, Principal Consultant, Mckinsey & Company
Mr. Raj Nair, Chairman, Business Consulting Group
Panel Discussion :
Theme : Challenges in implementing a strategy
Panellist :
Mr. S. K. Jain, Executive Chairman, Petroleum India International
Mr. Hemant Misra, Managing Director, The Indian Seamless Metal Tubes Ltd.
Mr. S. Ananthanarayanan, Executive Director, Amco Batteries Ltd.
Mr. P. Eswaradas, Executive Director, Amrutanjan Ltd.
Mr. Baru Rao, C.O.O., Syntel Software
Mr. Ameer Ismail, President, Lin Opinion - A Public Relation Division of A. P. Lintas
Mr. Harish Bikoor, Vice President, Consolidated Coffee Ltd.

PRESENTS

FN : Strategy Moghuls (cases in Strategic Management)
Day 3 : October 16, 1999 (Saturday)
Modi Corp - Mr. Deepak Mohla
Clariant India Ltd. - Mr. P. R. Rastogi
L. G. Electronics Ltd. -
Mr. Rajeev Karwal
Kotak Mahindra Finance Ltd. - Kamlesh Rao
• Corporate Governance & business Strategies
Mr. N. Vittal - Central Vigilance Commissioner
• Strategic Branding as a Sustainable Competitive Advantage
Mr. Jagdeep Kapoor - Managing Director, Samsika Marketing Consultants

SANSUI

PRESENTS

AN : Strategy Warriors (Technical Session on Strategic Management) In style of Question & Answers
Discussion Points :
Structure follows strategy in Organisation
The Future of change - The transformation company
Strategy & Business Environment
Experts :
Mr. Arun Arora, Chief Executive, The Economic Times
Mr. Jay Desai, Chief Executive, Universal Consulting
Mr. B. V. Venkatesh, President & Chief Executive Officer, BFL Software Ltd.
Mr. Manish Modi, Managing Director, Net Across Communications Ltd.
Mr. Dilip Shevde, Managing Director, U. B. Engineering
Mr. S. K. Palekar - Vice President Marketing, Eureka Forbes
Mr. Ashis Bhisey - Sr. Principal Consultant, IBM Global Services India
Mr. Kabir Mulchandani, Managing Director, Baron International Ltd.
Mr. Probir Roy, COO, Euro RSCG Interactive
Dr. Jayesh Vaidya, Div. Mktg., Discovery Communication India

Day 4 : October 17, 1999 (Sunday)
Corporate Check Mate (CEOs Round Table Conference on Strategic Management)
Theme :
Strategic imperative for improving bottom-line in the next millenium-ideas & opportunities.
Mr. K. K. Nohria - Chairman & Managing Director Crompton Greaves Ltd.
Mr. Noby Gupta - Director - Marketing & Sales, Videocon International Ltd.
Mr. Harish Mehta - Managing Director, Onward Novell Ltd.
Mr. Shashi Ullal - President & Managing Director, Hughes Escorts Communications Ltd.
Dr. Lalit S. Kanodia - Chairman, Datamatics Ltd.
Mr. Ganesh Natrajan - Managing Director, Aptech Limited
Mr. Paul Wildnson - Managing Director, Gestetner (India) Ltd.
Mr. Dewang Mehta - President NASSCOM
Mr. Kiran Deshpande - CEO, Mahindra British Telecom
Mr. R. K. Saboo - Dy. Managing Director, First Flight Couriers
Mr. Ganesh Ayyar, President - Hewlett Packard
Ms. Uma Ganesh, CEO, Zee Education
Mr. I. B. Mehra, Director, Seimens Telecom Ltd.

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However, such candidates have to go through the same selection process as others.

Admission Procedure

1. All candidates seeking admission to either programme should appear for the Common Admission Test (CAT) to be conducted by IIMs on December 12, 1999. The CAT Bulletin with application form has to be purchased from select branches of the State Bank of India.

Note: CAT is used for shortlisting candidates who apply for admission to TAPMI. IIMs have no role either in the selection process or in the conduct of the Programme.

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* **TAPMI's application form and handbook of information will be sold at the same branches of State Bank of India where CAT forms are available.**
* Alternatively, candidates may receive the application form and handbook of information by registered post by sending a DD for Rs. 800/- (Rs. 500/- for SC/ST) drawn in favour of **T. A. Pai Management Institute**, payable at either **Manipal** or **Udupi**.

3. Candidates shortlisted on the basis of CAT ranks will be called for Group Discussion and Interview for final selection in Manipal during April/May 2000.

Last date for receiving completed Application Forms is December 8, 1999

Executive Education Programs

TAPMI has launched Executive Education Programs of various modules aimed at middle level executives, brand managers, owners of small and medium enterprises and CEOs. These programs, held regularly, vary in duration from 3-5 days. The Institute is recognised as faculty development centre for training faculty members in management institutes of South India. TAPMI also offers Company-specific programs which could be conducted at Company/ TAPMI premises.

For more information kindly contact: The EEP Coordinator.

Mumbai : Tel 4918499 Delhi : Tel 6480224

Hyderabad : Tel 7803706

Bangalore : Tel 5597899

Pune : Tel 634327

Ahmedabad : Tel 6421396

E - COMMERCE - U.S.A.
GENERAL MANAGER

Company	Leading manufacturer and exporter of jewellery ,and diamonds with operations across USA and Europe, which has set up a subsidiary to establish an E-business link with their existing and targeted customer base across the globe.
Person	Should be familiar with E-Commerce processes, Internet technologies, EDI concepts, Security issues and Legal implications of E-business. Should be able to exploit business opportunities in business to consumer and business to business E-Commerce. The candidate should be a Post Graduate in Business Management with around 12-15 years marketing experience of which atleast 2-3 years should have been in web related businesses. Exposure to internet applications including Intranet, Web-enabling etc. will be a definite advantage.
Responsibilities	Reporting to the Group Vice President, the incumbent will set up, operationalize and manage all facets of the E-Commerce business as a Profit Centre and evolve and implement strategies to achieve targeted results.
Compensation	International Standards
Location	New York, U.S.A.
Contact	Please respond through courier within 10 days quoting job code GME/C&S/MUM/1479 on envelope and enclosures clearly mentioning work and residence contact telephone numbers.

ABC CONSULTANTS PRIVATE LIMITED

Consumer & Services Practice

303, Manish Commercial Centre, Dr. Annie Besant Road, Worli, Mumbai 400 025.
Tel: 4918499. E-mail: abc.bombay4@vsnl.com

Calcutta : Tel 2408675 Chennai : Tel 4323574

Quite simply,the biggest breaks in

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All Over India

Market Movers specialises in senior and middle-level placements in the Marketing, Advertising and Media industries. We place proven professionals in multi-nationals, the bluest of Indian blue-chips, the top twenty ad agencies and the biggest names in the television and media industry. If your track record is far above the average, contact us in confidence for the big break ***(Average professionals, frequent job-hoppers and drifters, kindly excuse!)****. Our urgent and immediate requirements, for leading corporates who have retained our services, are*

ADVERTISING

GENERAL MANAGER - MUMBAI

For a top 5 agency, MBAs with 8-10 years of experience across various product categories.

GENERAL MANAGER - ACCOUNT PLANNING - MUMBAI & CHENNAI

For top 10 agency, MBAs with 8-10 years of experience in Advertising / Marketing on FMCG brands.

DIRECTOR - CLIENT SERVICE - MUMBAI

For a top 10 agency, MBAs with over 7-8 years of exp in Advertising or Marketing on large FMCG brands

ACCOUNT DIRECTORS - MUMBAI

For a top 5 agency, MBAs with 5 - 7 years experience, one each for FMCG and Consumer Durable brands.

CREATIVE DIRECTOR (COPY) - MUMBAI

For a fast growing medium sized agency to head all India responsibility.

GROUP HEAD (COPY) - MUMBAI

For a top 5 agency, talented writers with over 5 years experience handling major FMCG brands.

CREATIVE DIRECTOR - DELHI

For a top 5 agency, with over 7 years experience handling big brands in Consumer Durable and FMCGs.

CLIENT SERVICES DIRECTOR - DELHI & CHENNAI

For a top 5 agency, MBAs with over 7 years experience to handle major Consumer Durable & FMCG brands.

CLIENT SERVICES DIRECTOR - BANGALORE

For a top 10 agency, MBA with 5-7 years experience to handle large garment account. Experience in handling similar brands required

ASSOCIATE CREATIVE DIRECTOR (COPY)-AHMEDABAD

For a leading advertising agency, top creative talent with over 5 yrs exp. Strong on TVC s/Film production.

MANAGER - BUSINESS DEVELOPMENT, MUMBAI

MBAs from primier institute with 3-4 yrs exp. in marketing / advertising.

GROUP HEAD - CLIENT SERVICE - MUMBAI

For a leading, agency MBAs over 4 yrs exp. Strong operational skills.

INTERACTIVE MEDIA

[redacted]

MBAs, BE (Computer) with over 6 yrs exp. in IT/Advertising excellent understanding of the interactive medium. Responsible for New business development

[redacted]

BE Computer with 4-6 yrs exp. in Web-based, Multimedia projects. Good techno-commercial skills. Independent responsibility of projects.

RESEARCH

V.P. CUSTOMER SATISFACTION - MUMBAI

For a top Research agency, MBAs with over 10 yrs of exp. in Market Research / Management Consultancy / Quality Management. Independent profit centre.

G.M. - (QUANTITATIVE RESEARCH) - MUMBAI

For top 3 Research agency, MBAs with over 7 years experience in quantitative research. Independent profit centre responsibility

SENIOR MANAGER - CONSUMER RESEARCH, MUMBAI

MBAs with 6 years experience. Candidates from Advertising / Marketing & Market Research industries having exposure to tracking consumer behaviors.

BRANCH HEAD (QUANTITATIVE)-MUMBAI

Sould have 6-8 years experience in Market Research or Advertising.

RESEARCH MANAGER (QUANTITATIVE & QUALITATIVE) - MUMBAI & DELHI

Should have 5-6 years experiecne in FMCGs. MBAs preferred.

ASSOCIATE PROJECT DIRECTOR (MUMBAI, CALCUTTA, DELHI & HYDERABAD)

4-5 years experience in Market Research mainly quantitative.

FINANCIAL RESEARCH (HYDERABAD)

1-3 years experience in Market research Should be able to analyse data & prepare reports on specific areas of Financial Services.

DATA ANALYSTS (HYDERABAD)

2-3 yrs experience, should have worked on SPSS and Quantum

DIRECT MARKETING

GENERAL MANAGER - MUMBAI, DELHI , CLACUTTA

MBAs with 7-9 yrs exp in Brand Management, Direct Marketing, Sales Promotions, Events.

ACCOUNT DIRECTOR - MUMBAI & DELHI

MBAs with minimum 5 yrs experience, previous exposure to handling Financial Service or hospitality brands preferred.

CVs for all other postions nationally in Marketing, Advertising, Media & Research welcome

MARKET MOVERS

For Achievers in Advertising Media and Research

Kusum Villa, 2nd Floor, Plot No 72, (Lane adjoining Shetty Motor Parts), Off S. V. Road, Khar (West), Mumbai 400 052
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• Fax . 022 - 6484883, 6465797
• E-mail marketmovers@vsnl.com

SUPERAGE

TVS RUBBER

IF YOU BELIEVE THAT A LITTLE BIT OF STRETCHING BRINGS TARGETS WITHIN EASY REACH....



....this job as **General Manager-Marketing** at TVS Rubber could be yours.

Especially if you have worked in some real hotspots in the Indian Corporate world and excelled in sales and marketing to get somewhere near the top.

Now you would like to stretch the horizons a bit more.

Chances are you could do it at TVS Rubber, the rubber division of Sundaram Industries Ltd., and part of the TVS Group. The leading manufacturer of automotive and industrial rubber components in India.

We need a well balanced professional to head our Marketing function as **General Manager.**

Possessing relevant experience of about 15 years, 5 of which should be at the senior level of a reputed organization.

Having the proven ability to lead a well motivated team, create new opportunities, and give the right thrust in all markets.

Operating from Madurai, the incumbent's dynamism will also give new direction to diversified products in the household segment.

Preferred age will be a youthful 45.

Those genuinely interested should courier a detailed resume, including current responsibilities and compensation package, and a passport size photograph to, The Director, **Sundaram Industries Limited,** 10, Jawahar Road, Madurai 625 002.

Quadrant:300

Castrol

Simply the Best!

Castrol India Limited is a fast track multinational company with a current turnover exceeding Rs. 1000 crores. At Castrol, we have assumed leadership position in the manufacture and marketing of premium quality lubricants for automobile, Industrial and marine applications such as GTX2, Super TT, CRB Plus etc.

Castrol India is one of the top 3 lubricant companies of Burmah Castrol plc. U.K. In India, it is the largest lubricant specialist company and the first to receive the prestigious ISO 9002 certification well justifying its technology leadership position. The company has its corporate office at Mumbai and regional offices in 4 metros and seven manufacturing plants spread across the country.

In order to strengthen its finance function, Castrol is looking for bright young professionals, interested in making a career in finance:

FINANCE PROFESSIONALS

Chartered Accountants / Cost Accountants with excellent academic record, and with experience not exceeding 3 years may apply. Rank holders / those with multiple professional qualifications and those with prior experience in a manufacturing / marketing organisation would be preferred. **Freshers could apply as Management Trainees.**

The ideal candidate should have good communication skills, excellent knowledge of his / her own domain, ability to work under pressure to deliver consistent performance and willingness to work in any of the offices / plants of Castrol.

The company offers excellent growth prospects and salary will not be a constraint for the right candidate. Accommodation can be considered where necessary. Interested candidates may send in their resumes within a week of this advertisement to:

The Senior Manager - HRD
CASTROL INDIA LTD.
Post Box No. 16172, Mumbai - 400 006.

Castrol

TMI/899

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You'll get ample scope to contemporise our HR strategies and systems, and apply your specialist skills to a variety of operations. As a consultant to our think tank, you'll gain valuable experience from industry applications. Especially if your areas of expertise include Organisation Design, Competency Modelling, Job Evaluation, Performance Management, Remuneration & Rewards, Organisation Development, Career Management and building a Learning Organisation.

We expect you to be between 30 and 40 years. A livewire professor, research scholar or even a consultant in a reputed organisation/institute.

E-mail your resume rightaway to
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Our client will get back to you with a remuneration package and a bundle of benefits that will more than make up for the lien we're asking you to take from your current assignment.



We have all the material 'ready-made' for success.

Now all we need is a capable Business Head.

S. Kumars, one of the largest textile groups in India, has a diverse product mix of numerous brands which are market leaders in their own right. Considering the growing popularity of ready-to-wear garments, S. Kumars, with its inherent strengths, is all set to make an impact in this category. For our foray into the ready-to-wear segment, we are on the lookout for a dynamic and result-oriented professional to head this venture. The ideal candidate for the position would possess a management degree (MBA or equivalent) from a management institute of repute and must have relevant experience in the ready-to-wear industry. Additional experience in brand management, marketing or sales and distribution of FMCGs or textiles would be an added advantage. She/he should also be adept at evolving brands from the conceptualization stage to market leadership and should be versatile at designing & implementing marketing strategies. The incumbent should have spent at least 5 years as an independent profit centre head, responsible for operations, profit and growth She/he should also be an excellent team player, having relevant exposure to information technology The chosen candidate would be expected to select and develop a team of managers and executives to implement the project successfully. Responsibilities would also include developing the sourcing, distribution and logistics infrastructure for the new venture, and of course, strategic planning and adherence to business profitability and growth objectives A satisfying work environment and an attractive remuneration package awaits the deserving candidate

Mail/fax your Curriculum Vitae within 15 days to Mr Harsh Sharan, V.P. Corporate HRD, S.Kumars Synfabs Ltd , 'Avadh' Avadhesh Parisar, Shree Ram Mills Premises, G.K. Marg, Worli, Mumbai 400 018 Fax: (22) 4931685. e-mail: skumars@bom3.vsnl.net.in

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A bits 'n pieces software unit ?



Or a leader in software products ?

Since its inception, Kale Consultants has single-mindedly focused on creating software products for selected vertical markets. Kale is India's leading developer of software products for the airline, banking and healthcare industries. The company's products are in use at over 500 installations in leading banks around India and at 15 airline companies, spread across six continents.

Kale's focus on creating and nurturing brands, intellectual property and domain knowledge make it one of the few companies operating at the top end of the value chain.

Today, Kale has 350 innovators, 3 development centres at Pune, Mumbai and Chennai, 6 sales/ support offices in India and 3 international subsidiaries. It has posted a CAGR of 40% over the last 3 years, with exports rising by 72% during the period and by 114% in the last year alone.

With the globalisation of its product strategy and a rapid extension of the product portfolio alongwith a widening customer base, Kale Consultants is on the threshold of explosive growth.

General Manager - Projects

apidly expanding and the prime criteria of has become the company's ability to quickly, reliably and efficiently. With a new sq.ft Development unit at Pune which will a variety of projects in new and emerging technology, Kale is on the lookout for who can provide exceptional leadership Development unit.

ll be expected to meet and exceed customer tations, build a team capable of dinary results, contribute to strategy and world class practices.

ould be a B.E. or B.Tech/ MCA with 10 to 12 xperience in managing large IT projects in technologies and platforms including Server applications. You must have a track record of outstanding performance ferably be in your mid 30's.

l be reporting to the Chief Operating Officer l be based at Pune.

General Manager Iministration

e is upgrading its infrastructure on a ious basis, planning, procurement and ing implementation assumes a central ance. Efficient administrative services, lly those related to the day to day affairs of mpany - housekeeping, security, travel, on, canteen, messages - are the key to the running of the organisation. A person with ity to visualise and implement world-class s, and inculcate a spirit of service in the dministration team would be vital to this

you should have been in the armed forces, able to bring to your work, the ardor and required for uncompromising excellence.

l be reporting to the Chief Operating Officer be based at Pune.

nior Manager - HRD

a pivotal position as the company is going exhilarating growth and concomitant ational change. You will be responsible for of HR functions that include recruitment, g and career planning with the sibility of infusing dynamism for greater

s professional qualifications in HR and el administration from a premier institute bly IIM, XLRI or TISS. In addition, you hav had 5-8 years of experience, of which yea s should have been with a service at

l b reporting to Chief Advisor- HRD and as at Pune.

Senior Manager Corporate Communications

In its formative years, Kale had maintained a low profile, but over the years the company has built enormous credibility, respect and trust with its customers and has made a name for itself in its selected markets. With global ambitions, the company has now decided to aggressively focus on brand building.

You will be responsible for the entire gamut of corporate communication - PR, Investor Relations, Advertising, Events, Sales collateral, Newsletters, Website, etc. You employ corporate communication innovatively to make the job of the sales team easier.

You must be an MBA from a premier institute with specialisation in marketing. You should either have been a Brand Manager for a reputed organisation or an Account Manager with an agency for 7-10 years.

You will be reporting to the Marketing Director and will be based at Mumbai.

Senior Manager - Network and IT

The company has facilities for over 500 professionals spread over 3 development centers, 6 sales/support offices in India and 3 overseas offices. The infrastructure comprises of both local and wide area networks, application servers, internet servers etc., with a wide variety of technologies, databases and development tools. The company will continue to invest in creating an environment and facility that enables it to serve customers from across the world in a highly productive manner.

You will take responsibility for the entire network and technical infrastructure in the company. You will be required to develop a technology strategy, and then implement it. Ensuring proper administration and management of the technical environment would also be part of your job responsibilities.

You should be a B.E. or B.Tech with Microsoft and CISCO certifications. You should have 6-10 years experience in system and network administration with extensive involvement in the planning and management of a large, complex and mission critical IT set-up. Broad management vision and excellent leadership skills are prerequisites.

You will be reporting to the Chief Operating Officer and will be based at Mumbai/Pune.

Product Managers

Kale is one of the few software companies in India to have created and sold application products without restricting itself to just services. Today the company's products are among the top 3 in each of their segments with the primary area of focus being the airline and banking industries.

The company's aggressive thrust on growth would rest on the shoulders of the Product Managers for each of its main product lines. This position requires you to be in total command of positioning, pricing, promotion, and packaging with a focus on creating unique and powerful positions in global niches.

You must be an MBA from a premier institute - IIM, XLRI, Bajaj or FMS - preferably with an engineering background. You should have 3-5 years of experience, preferably a mix of sales and product management. Experience in Banking, Hospitality or Travel industries will be a big plus. Outstanding conceptual skills, sound analytical ability and enormous energy are essentials while an exposure to new technologies like the Internet will be a definite advantage.

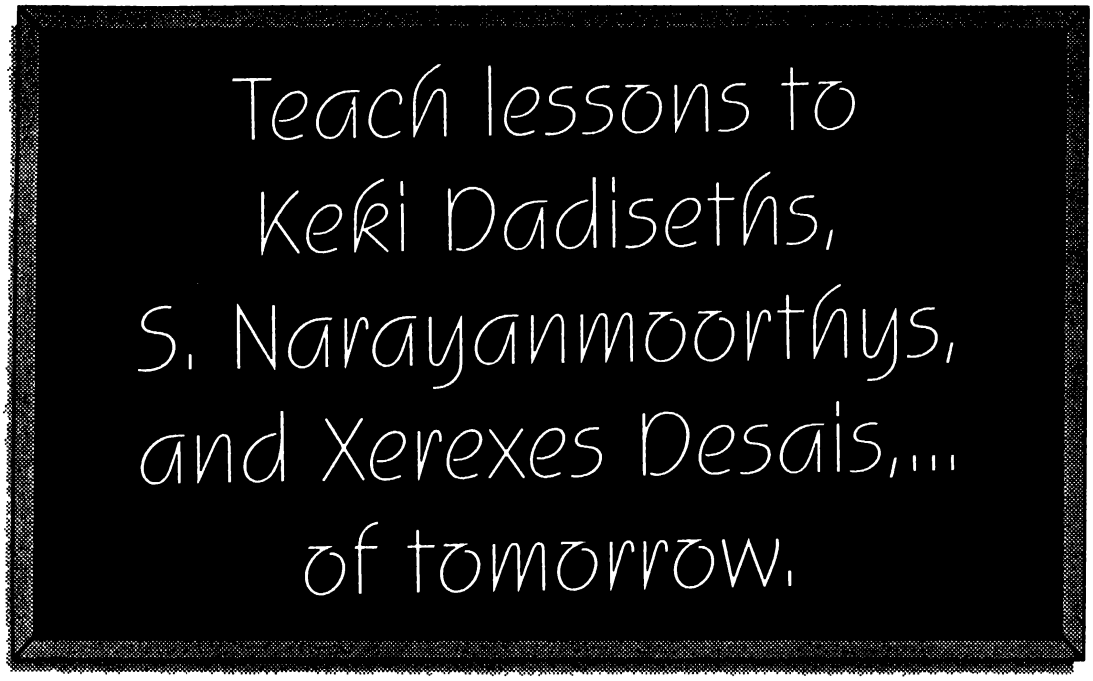
You will be reporting to the Marketing Director and will be based at Mumbai/Pune.

All candidates should be independent, highly motivated and possess excellent communication skills. Prior exposure to an ISO 9001 environment will be a distinct advantage. Remuneration will be comparable with the best in the industry.

Send your resume to Shobha Subramanian, Kale Consultants Ltd., 3 Candy House, Mandlik Road, Colaba, Mumbai - 400 039. Fax : 2045973 e-mail: Shobha_S@kaleconsultants.com

Kale Consultants Limited

www.kaleconsultants.com



IIM, Indore is looking for exceptionally brilliant, visionary management educators and leaders for faculty positions in:

- **Business Policy and Strategy**
- **Information Technology Management**
- **Production and Quantitative Methods**
- **Entrepreneurship Development**
- **Human Resources Management**
- **International Business**
- **Marketing**
- **Organisational Behaviour**
- **Economics**
- **Finance and Accounting**
- **Services Management**

• Professor • Associate Professor • Asst. Professor

About IIM, Indore

- Indian Institute of Management, Indore was established by the Government of India in 1996. The Institute's campus will come up at Rau which is about 12 km from Indore.
- Operating from newly built temporary premises, the Institute has created a strong IT based infrastructure which includes internet connectivities through both ernet and VSNL; and, a computer for every student connected through LAN to electronic media based library, and a strong software support.
- The post-graduate programme curriculum involves: module based course work; case method as the key pedagogy; and experiential learning - through industry attachment throughout the first year and organization based problem solving multidisciplinary projects during the second year.

- The programme is managed by a highly committed, well trained and experienced professional group of faculty and other academic staff.
- The Institute places high emphasis on research and consulting in different fields of management, the faculty could undertake multidisciplinary research, consultancy and training in the following thrust areas; i) international business, ii) entrepreneurship, iii) public policy and public systems management (especially health and education), iv) small scale industries, v) services, vi) infrastructure management.
- The following centres of excellence are proposed to be set up at the Institute: Centres for Services Management, Entrepreneurship Development, Management of Technology, and Education Management.
- The Institute is working towards increasing multimedia based instructional material and use of video conferencing facilities.

Faculty Responsibilities

To help build IIMI into a world class management institution, we invite applications/letters of interest from visionary, committed and dynamic professionals. The faculty will teach in the Post-Graduate Programme, participate in individual and group research projects, conduct Management Development Programmes, undertake consulting assignments, assist in academic administration, and participate in institution building efforts.

Qualifications

The Institute is looking for exceptionally brilliant individuals with high scholastic achievements and demonstrated aptitude for research, teaching, and consulting.

Assistant Professor: Our ideal candidate will be about 30 years old with around three years of academic or industry experience. The candidate should have a Ph.D. in his area from an institution of repute. Specialization in management, technology, or an academic discipline with management orientation is a must. Post-doctoral work, publications in refereed journals, and/ or work experience in industry will be an added qualification. Those in final stages of Ph.D. may also apply.

Associate or a full Professor: you should have previous research, teaching, and consulting experience or worked at a senior level in the industry, strong conceptual skills, and the recognition as a leader in your area of specialization.

Salary and Other Benefits

Professor	-	Rs. 18400-500-22400
Associate Professor	-	Rs. 16400-450-20000
Assistant Professor	-	Rs. 12000-420-18300

The posts carry usual allowances as available in IIMs. Faculty are allowed the privilege of consulting as per the IIM-I rules.

Housing

The Institute would provide housing assistance until campus housing is available. The construction of the main campus is to begin soon. A co-operative housing scheme is also being operationalized.

Application

Write/ email/ fax in confidence *without* any enclosures or letters of recommendations, within three weeks, to Dr. Rajan Saxena, Director, or call him on 0731-786196. **The Institute will get in touch with only shortlisted candidates.**

सिद्धिमूलं प्रबन्धनम्
IIM INDORE

INDIAN INSTITUTE OF MANAGEMENT INDORE

Rajendra Nagar, Indore 452 012 Fax : +91 731 788506
Email: director@iimidr.ernet.in Website: www.iimidr.ernet.in

Mumbai - Tel 282 4122 Delhi - Tel 648 0224

Hyderabad - Tel 780 4514

Coimbatore - Tel 43 3514

Pune - Tel 63 4327

Bangalore - Tel 559 7899

HEAD - MARKETING

LOCATION — **Bangalore; Attractive Terms**

COMPANY — **Coffee Board** is a statutory organisation under the Ministry of Commerce, Government of India. The Board is a facilitator for the growth & development of the Indian Coffee Industry and is also responsible for quality control. They are currently on a massive image building exercise for the promotion of Coffee for both domestic and export markets. The recommended budget for this project is likely to be in the range of Rs 30 crores. Our client is looking for a Marketing Professional at a senior level to meet this objective.

JOB — The incumbent would be the corporate think tank and executor for increasing visibility and consumption. Will be responsible for (a) conceptualising, implementing innovative and turnaround domestic & export marketing strategies (b) reorient, position the product through aggressive advertising & sales promotion support activities based on consumer understanding and trends.

PERSON — MBA with minimum 10 to 12 years experience in brand management in the FMCG industry. Proven track record, excellent communication skills and necessary **leadership qualities to get things done** in agreed time and cost parameters will be essential selection criteria.

PACKAGE — The position will be on a retainership basis and is not bound by Government of India salary structure. Coffee Board will have no remuneration constraint for the right person and the package will be designed to attract & retain the best talent available.

Please write within 10 days with a structured bio-data including details of salary drawn, contact phone numbers, etc., to **K S Athul Krishna, General Manager.**

ABC CONSULTANTS PRIVATE LIMITED

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Calcutta - Tel 240 8675 Chennai - Tel 432 3574

THAPAR CENTRE FOR INDUSTRIAL RESEARCH & DEVELOPMENT, PATIALA

A leading privately managed Research and Technology Development organization

Requires

Research Engineers / Research Scientists

To support its growing activities and strengthen core competencies in various Research Divisions, 2 to 4 positions in each of the following disciplines are required :

Biotechnology Division :

- ***Plant Tissue Culture :*** commercial crops, floriculture, horticulture, forestry, and genetic engineering.
- ***Plant Science :*** Plant pathology, entomology, tree breeding, seed science, genetic engineering.
- ***Bio-process design and development*** : Exposure to commercialization of technology at plant scale will be preferred.
- ***Microbiology / Bacteriology :*** Competence in taxonomy, process development, genetic engineering.

Chemical & Environmental Engineering Division :

- ***Synthetic Organic Chemistry :*** Development of speciality and performance chemicals/ formulation of various products used in pulp & paper, textiles, sugar, dyes, oil field etc.
- ***Chemical / Mechanical Engineering:*** Environmental research and design.
- ***Chemical Engineering :*** Process optimization/ scale up and design of chemical processes.

Computer Aided Engineering Division :

- ***Mechanical Engineering :*** Stress analysis, Noise & vibration, Machine design and optimization, knowledge of state-of-art design and analysis tools is a must.
- ***Electrical Design :*** Electrical machines like transformers, motors, switchgears etc. with knowledge of state-of-art design, modelling and prototyping tools is a must.
- ***Engines :*** Combustion and Emissions.

Materials Science Division :

- ***Metallurgy/ Materials Science :*** Specialization in physical metallurgy is desirable.

Software Engineering Division :

- ***Process simulation :*** Knowledge of simulation packages like CHEMCAD, SACDA and PROII etc.

Software Development : Experience in OOAD, OOP, VC++(MFC), RDBMS is essential.

Management Services :

- ***Accounts Officer :*** CA/ ICWA with five years experience in a similar R&D/ industry.
- ***Stores & Purchase Officer :*** Graduate, Postgraduate diploma in Materials management with five years experience in a similar R&D/ industry.

Candidates having Ph.D. or Master's degree in the relevant discipline from reputed Indian and / or overseas institutions having atleast 5 years experience, preferably in an industrial R&D environment and with specialization in the above mentioned areas to apply within 30 days to

Director
Thapar Centre for Industrial Research & Development
Thapar Technology Campus PO Box 68, Patiala 147 001
Fax : 0175-212002, 212012
Email : Director@tcrdcpt.ren.nic.in

Applications should include names of two referees intimately conversant with the work done by the candidate. Compensation commensurate with qualifications and experience will be offered.

For more information on TCIRD please visit our website : http://www.thapartech.org

ACC

The Associated Cement Companies Ltd., one of the leading Industrial Organisations in the country with an annual turnover exceeding Rs. 2,700 crore, engaged in manufacturing and marketing of Cement and Refractories, Advanced Materials, Project Management & Engineering, Research & Consultancy and other diversified activities,

Require for
Corporate Office/Cement Plants
located all over India

HUMAN RESOURCE PROFESSIONALS

Candidates should be qualified professionals with a post graduate degree in Personnel Management and Industrial Relations, having 5-15 years experience in Human Resource Management, including HRD, preferably in large manufacturing units/corporate offices. Experience in IR, preferably in large manufacturing units, with adequate exposure to HR systems is essential.

We offer a challenging career and an attractive remuneration package. Interested candidates may apply with a detailed C.V. within 15 days to:

Vice President - HR & Admn.
The Associated Cement Cos. Ltd.,
121, Maharshi Karve Road,
P. B. No. 11023,
Mumbai - 400 020.

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At Mumbai

We have pioneered many segments in India by continuous innovations and introduction of new products based on strong R&D efforts.

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Attractive salary which is comparable with the best in the industry.
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recruit@pidilite.com

PIDILITE

There's room at the top in an Engineering firm. Are you the chosen one?

We are a leading dynamic industrial house in South India, with our business spanning diverse products in various locations.

We require a **Top Level Executive** for our organisation.

Candidate should be a graduate in Mechanical or Production Engineering from a premier institute, preferably with Management qualifications. He should be around 42 years of age with 12-15 years of industrial experience in an Engineering industry.

Apart from attractive salary on par with industry standards, we offer benefits such as PF, LTA, Medical, Gratuity, Superannuation, HRA / Accommodation and Company Car.

Interested candidates may please apply within a week to:

Box No. AA/561/LK/1, **Business India**, Prasad Chambers, Flat No.7, 97A Peter's Road, Madras 600 086

ASTRA-IDL LIMITED

A 105 crore Bangalore based Multinational Pharmaceutical Company manufacturing and marketing a wide range of formulations predominantly in Cardiovascular, Respiratory, Maternal Health Care and Anesthesia, under its expansion programme requires:

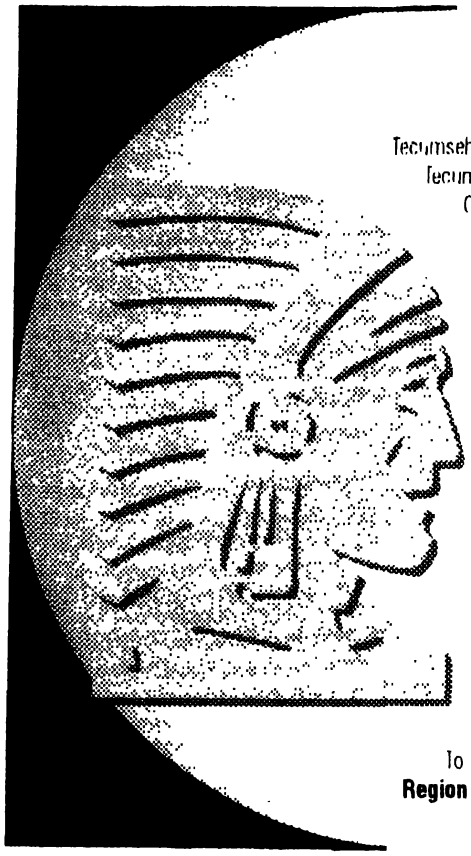
DEPUTY MANAGER - MATERIALS

Location-Bangalore (Code DMM - 4/99)

The candidate should be B. Pharm with P.G. Diploma in Materials Management having 5 to 7 years of experience in a reputed Pharmaceutical Company with exposure to Procurement of Raw/Packing Materials, Capital Equipment, Vendor audit & development. The candidate should be a computer literate with strong inter-personal and communication skills. Preferred age group is around 30-32 years.

The Company offers an attractive remuneration package and excellent growth prospects. Interested candidates who fit the above profile may send their RESUME along with a recent passport size photograph superscribing CODE on the envelope, within 10 days to :

The Vice President
Human Resources & Administration
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European experience



When travel companies like SOTC and Raj started their ad blitz this April, "Indian Food" was at the forefront of their marketing thrust. And no doubt, for predominantly vegetarian tourists, a large comfort zone in a tour package is the familiar food. But in doing this, two important dimensions of the package tour experience are not highlighted — the role of the tour director or guide in making it a seamless and painless experience and the chance to interact and be part of an international community. This is what the Cosmos and the Trafalgar Tours offer. Despite all the black humour aimed at the "12 capitals in 12 nights" tour options, seeing Europe or any country for that matter on a reconnaissance trip is the most efficient tourist decision you can make, considering the panorama of sights and the range of tourist experiences involved.

Take Venice, which alone attracts 12 million tourists annually. Or the sheer logistics of sightseeing in Paris, Rome, and the Vatican, which could be daunting without professional help like that of Trafalgar Tours. Despite being bushed at the end of the trek, the 52 tourists (from over eight countries) in the group acknowledged the managerial skills of the tour director William Jones and the driving skills of the coach driver, the inscrutable Dutchman Vena.

The experience started right from Victoria. The currency pack of the equivalent of $200 in six European currencies made the passage through each country easy. And the well-planned lunch/ rest/ little souvenir stops at the numerous auto grills in Europe. Jones took charge right at the beginning, from the Channel crossing



JAI SHANKAR

Cruises are a part of tour packages

Dos and Do nots

Whether you are a seasoned tourist or a rookie to the packaged tourist drill, there are some things you need to know that your travel agent rarely tells you to watch out for.

• Make sure that your travel agent informs you about all the costs involved; it may happen that, after you embark on the tour, many sightseeing trips become "optional", a euphemism for the most important spots you have to visit in that place. For example, the visit to the Notre Dame Cathedral and the Versailles Palace had to be paid for as part of "optional" sightseeing. It would have been silly if you did not get to see these on a tour of Paris. Thus, after the tour charge of $1,000 paid up in India through TT Travels, which handles the marketing/ticketing for Trafalgar Tours, one needs to pay at least $600 for the options. It was obvious that TT Travels personnel had no idea about how to market the package to the tourist; the Chennai office was quite indifferent to many basic needs like alternative travel dates (in case the first choice was not available). It's another matter that Trafalgar Tours is so well established that snafus by the Indian side are more than compensated for by the European reps.

• After you get tempted by the fabulous shopping that is spread out in places like Lucerne, Florence, Venice, Munich, and Heidelberg, even $1,000 per person as extra is not a surprise. So there, you're warned. Going armed with an international credit card is a sensible option.

• The Trafalgar Tourist is allowed one airline bag per person plus one piece of hand baggage. The good news is that, once you check your bag in at Victoria in London (the starting point of the tour), you don't have to heft the beast and risk a hernia. But you must remember that what goes into that bag requires the most careful planning and forethought to factor in your clothing needs for the tour, without laundry facilities and even ironing, as none of the European hotels on the trip allows you to use an iron.

Indian ladies would do well to stick to comfortable *salwar-kameez*; better still a comfortable pair of jeans/shorts and a number of cool cotton tops, especially if you are taking the tour in summer. Contrary to popular belief, the summer heat can wear you out. A 12-day trip of constant travel and sightseeing can be really killing if you don't have proper cool clothing and even more important, comfortable sneakers or open sandals.

• Every hotel gives you a reasonable breakfast, which you can tank up on, if you can gulp it down at the unearthly hour of 7 am and march. But if you have problems getting up – togged and tanked – at such wee hours, make sure you have help. And none of the hotels except in Paris had facilities to make your own coffee/tea.

• The tour director is very helpful, but it is wise to plan and carry any medication that you need on a regular basis.

• It also makes for big economy to carry enough camera supplies. Buying film at European tourist destinations can be really stupid at those prices. •



HARSH MAN RAI

Indian tourists can now get a feel of such European locales

in the P&O Stena (the channel ferry), on to Calais and through the vineyard country on to Paris. Arrival in Paris on Bastille Day could be a bane if it weren't for Jones, who changed sightseeing plans instantly as the Champs Elysee route was closed for regular vehicular traffic. Dining at Montamarte, Jones had the forethought to tell the waiter about the special needs of "the strict vegetarians".

As a recognised tour director, entry into each country and payment of the country toll was made painless. Even passports weren't checked. Was the enormous effort and payment for the visas a waste? Lake Lucerne and the ride up Mt Pilatus is even more memorable when you hear the Swiss cowbells ringing in the distance even as the enveloping clouds and mist cover the Alpine slopes. No one could have recounted the story of the Lion monument and its tribute to the 27 Swiss soldiers who laid down their lives to protect the last French monarch and his wife from the bloodthirsty wrath of the Revolutionaries the way Jones did. You stand in the magnificence of the Sistine Chapel and wonder at the genius of Michelangelo, and the agony and ecstasy he experienced painting this massive arched vaulted roof. And if the guide, Madame Eugenia, had not asked the group to watch the eyes of the crucified Christ which seem to follow you as you walk past, the sheer ingenuity of this masterpiece could have easily gone unnoticed.

According to the French and Italian laws, the tour director has to hand over charge to local tour guides. And Eugenia and her counterpart in Paris do an admirable job in shepherding their group through the numerous sightseeing trips, unravelling the wealth and intricacies of French and Italian art. And on the long drive to Venice, the route dotted with castles and monasteries like the Dominican one with 12 steps of the cross leading to the hilltop and the sulphur springs offers you a wondrous glimpse into the mastery of those ancients who had excelled in every building technology.

Jones points out the little church in which hangs a painting by St Luke of the Madonna, on the way from Florence to Venice. And tells you the story of the sarcophagus of St Anthony at Padua, the saint of lost things. And then we stop to admire the bronze statue of Juliet, Shakespeare's immortal heroine. "Don't miss Juliet's shiny parts on which countless gents have run loving hands. There is a Coliseum here built in the 12th century to hold 20,000 spectators. It still does today."

Shopping is not sidelined, either. The tour offers at least three major shopping stops, one of the oldest watch shops, Bucherer, in Lucerne, a variety of leather goods and designer labels in Florence, and Swarovski Haus at Innsbruck, apart from many options at St Mark's Square in Venice and short stops at Munich and Heidelberg. Even for the well-heeled Indian tourist, European price tags can bring home the harsh realities of the exchange rates. By the time the coach reaches Amsterdam, the last leg of the tour schedule before the Channel crossing, you realise that this European experience has only enriched you. And the unspoken vow: I must come back.

◆PADMA RAMNATH

FILMS

Hooked on to Hitchcock

Alfred Hitchcock
(1899-1980)

"If you create the fear, you've got to relieve it."

— Alfred Hitchcock

"He is probably the only director whose name can draw the general public into the theatre."

— Albert J. Lavaltey

Alfred Hitchcock is certainly the only film director whose name, figure, manner and general thematic concerns are well known to the public. Largely through his regular and always his walk-ons in his own movies, he has become familiar, in body and spirit to millions. His peculiar blend of comedy and melodrama has raised such expectations about his films that his name is frequently coupled with his stars on the marquees of theatres.

Hitchcock made murder into an art form. He revelled in the label of "master of suspense", but he was master of much more than that.

In a career spanning over 50 years (1925-1976), Hitchcock completed 53 feature films, 23 in the British period 30 in the American. Through his early British films we can trace the evolution of his professional image, the development of both the characteristic Hitchcock style as well as the Hitchcock thematic. His third film, *The Lodger* established him as a maker of thrillers

His most famous English films such

FILMOGRAPHY

The Silent Years
1925 The Pleasure Garden
1927 The Mountain Eagle
1927 The Lodger
1927 Downhill
1927 Easy Virtue
1927 The Ring
1928 Champagne
1928 The Farmer's Wife
1929 The Manxman

The British Classics
1929 Blackmail
1930 Juno and the Paycock
1930 Murder!
1931 The Skin Game
1932 Number Seventeen
1932 Rich and Strange
1934 The Man Who Knew Too Much
1934 Waltzes From Vienna
1935 The 39 Steps
1936 Sabotage
1936 Secret Agent
1937 Young and Innocent
1938 The Lady Vanishes
1939 Jamaica Inn
1940 Foreign Correspondent

Vintage Hollywood
1940 Rebecca
1941 Mr and Mrs Smith
1941 Suspicion
1942 Saboteur

The War Years
1943 Shadow of a Doubt
1944 Lifeboat
1945 Spellbound

Perfecting the Art
1946 Notorious
1948 The Paradine Case
1948 Rope
1949 Under Capricorn
1950 Stage Fright

The Fourth Decade
1951 Strangers on a Train
1953 I Confess
1954 Dial M for Murder
1954 Rear Window

The Master of Suspense
1955 To Catch a Thief
1955 The Trouble with Harry
1956 The Man Who Knew Too Much (remake)
1956 The Wrong Man
1958 Vertigo
1959 North by Northwest
1960 Psycho

The Grand Old Man
1963 The Birds
1964 Marnie
1966 Torn Curtain
1969 Topaz

Coming Home
1972 Frenzy
1976 Family Plot

Other Film Work
(Hitchcock was associated with these films as screenwriter, art director, assistant director, editor, or title card designer)

1925 The Blackguard
1924 The Prude's Fall
1924 The Passionate Adventure
1923 Woman to Woman
1923 The White Shadow
1922 Three Live Ghosts
1922 Tell Your Children
1922 A Spanish Jade
1922 The Man From Home
1922 Love's Boomerang
1921 The Princess of New York

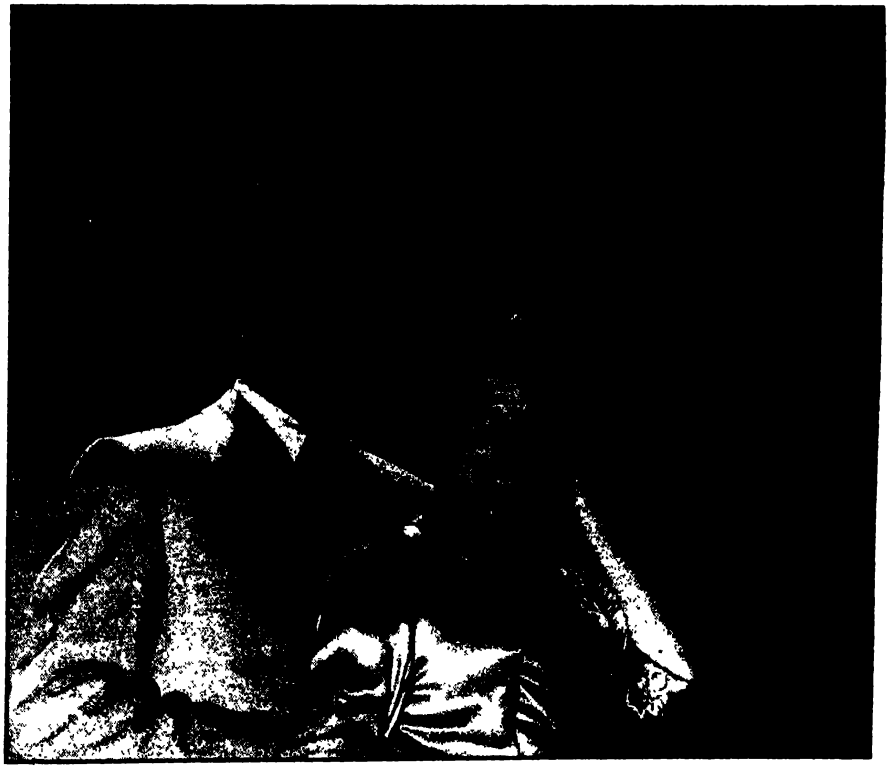
as *The 39 Steps* (1935), *The Lady Vanishes* (1938) and *The Man Who Knew Too Much* (1934) were complex and effective spy thrillers.

Hitchcock succumbed to the lure of Hollywood in 1939, his first film there being the romantic thriller *Rebecca* (1940). In Hollywood, he immersed himself in the slickness of Hollywood film making and continued to draw from a seemingly inexhaustible cinematic bag of tricks.

Everyone remembers it. The murder of Janet Leigh in *Psycho* (1960). The birds' last terrifying attack in *The Birds* (1963). Scottie's nightmare in *Vertigo* (1958). The tennis match scene in *Strangers on a Train* (1951). These moments reveal Hitchcock's gift for the suspense setpiece, his mischievous relish in surprising his audience. These are images that affect us in a powerful way and yet cannot be easily explained or verbally analysed. They simply have a horrifying, unsettling impact. They stay with for years, clear, disturbing, the perfect visual trigger for our deepest notion. This is 'pure cinema'. And Alfred Hitchcock remains one of the greatest masters of pure cinema.

Hitchcock was a meticulous director who planned each shot in his films with great care and rarely deviated from his script and story board sketches once the camera began to roll.

The most ironic pattern in Hitchcock's art lies in its relation to commercial pressures. His temperament demanded commercial as well as creative success – the more popular his movies, the more powerful was his ability to manipulate an audience and reach out to the collective unconscious.



Farly Granger (left) and Ruth Roman in Hitchcock's Strangers on a Train

Astoundingly, Hitchcock never won an Oscar, though he did receive the Irving Thalberg Award in 1967, and a long-running mystery magazine bears his name. In 1979, he received the American Film Institute Life Achievement Award. The following year, the world of cinema lost one of its greatest names.

◆ RAFIQUE BAGHDADI

Laying it bare

THE NUDIST ON THE LATE SHIFT
And Other Tales of Silicon Valley

By Po Bronson
Secker & Warburg, 1999
pp248, £5.30

No-one witnessing the frenzy of Internet stocks can fail to wonder just what has driven the craze to such an incredible high. As author Po Bronson, a keen observer of the Valley (Silicon Valley, roughly 100 miles of populated desert stretching east from San Francisco) points out, certainly the topographics of the Valley itself do not give any indication of the level of excitement, hard work, and sheer madness that have shaken the world from this tiny place.

Software people tend to be somewhat crazy by "traditional" standards. Actually, this is equally true of hardware people, for the very simple reason that much of hardware design today is built out of sheer brainpower rather than soldering irons and breadboxes. This fact brings much of the charm to this highly personal account, encounters with people who have made it or hope to make it to the ranks of the super-rich.

Many of them, like Yahoo! cofounder David Filo, couldn't care less about the money itself. Filo became a Silicon Valley icon when he was photographed sleeping under his desk (the picture was published in the *San Jose Mercury News* under the caption "Sleepless in Silicon Valley"). The picture is helpfully printed in the first pages of the book, and shows a figure huddled in a blanket under a computer desk piled untidily with papers – this is the guy that provided the first comprehensive search engine for files accessible from the Internet! When the author met him some years later, he asked him if he still slept under the desk at times, to which Filo mutely pointed at his workplace — the piles had now extended under the desk, and there was no place left. The point is, when the picture was taken, Filo was worth half a billion dollars; by the time the author met him, his wealth had doubled.

There are many other, equally brilliant, programmers and entrepreneurs who have found their niche in the Valley. One of them is India's favourite, Sabeer Bhatia, who gets a chapter titled (what else?) *The Entrepreneur*. The author has actually divided the book to give each of the defining characters of the Valley a place, thus, *The Newcomers*, *The IPO*, *The Entrepreneur*, *The Programmer*, *The Salespeople*, *The Futurist*, *The Dropout*, and to close it out, *"Is the Revolution Over?"*



"Mindshare: As opposed to market share. When a salesman says, 'I'm building mindshare,' what he means is he hasn't sold a thing"

George Gilder, whose name has become synonymous with information technology and the future of telecommunications, is laid bare in a curious, somewhat ambivalent way. He comes out rather strangely, more self-promoting than guru-like, which may be a comment on the ability and propensity of the media business to build personalities rather than value-added content. Danny Hillis, who is working with Disney (oddly enough) to define the future of technology, is using a multicameral approach, building a clock that will tell the time accurately for the next 10,000 years. The sheer audacity of this project, beating any human endeavour of the past 10,000 years, is a testament to the brash optimism that has built the Valley.

As the contents list indicates, Bronson captures a telling picture of the "other people" who make the Internet business what it is today, the salespeople and the investment bankers, and the technologists themselves, who make their (sometimes incredibly wealthy) living from the businesses that others are losing their sleep over. Who else but a programmer could exercise his (or her) individuality to the extent of the eponymous Nudist, who used to strip after 10 o'clock at night, when most other workers had left the building. The nudist works in a film animation and SFX laboratory, and was among the most skilled workers, hence could get away with just about anything. Even so, when he accidentally came out nude one evening a couple of hours earlier than scheduled, he nearly precipitated a major labour action, with film workers claiming they'd been harassed.

This book is a must-read for anyone who wants to see the wealth creation that the Internet has spawned shifting to India, whose people have already brought a new definition in the Valley to the abbreviation IC (it used to mean integrated circuit, but now means Indians and Chinese, who dominate the major knowledge worker segment of the industry). Understanding the huge money shifts that this industry spells, which have already forced a change in management emphasis from corporate-centric to customer-centric. In the last couple of months it has witnessed the mushrooming growth of wealth among the software emperors in India (Azim Premji and Subhash Chandra), leading and taking off past the traditional brick-and-mortar kings (Tata and Birla, even Ambani).

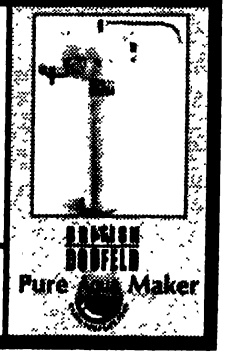
Ignore this phenomenon if you will, but first enjoy the book's accurate descriptions and clear expositions of this bewildering new world, and then decide whether it is an opportunity or a flash in the pan, like so many gold rushes have been in the past.

• VICKRAM CRISHNA

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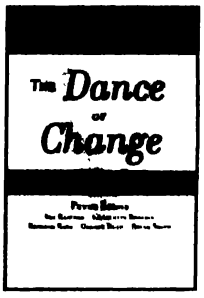
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Charting the Shoals of Entropy



THE DANCE OF CHANGE
The Challenges of Sustaining Momentum in Learning Organisations

By Peter Senge *et al*
Nicholas Brealey Publishing
pp596, £15

How does one begin to describe a printed book that not only focuses on the exciting world of change management, but uses the commonly accepted yet brand new context of the Web to do so? Peter Senge, professor at MIT and chief coordinator of the seminal works that precede this volume, *The Fifth Discipline* and *The Fifth Discipline Fieldbook*, manages not only to do this, but actually carries it off with panache.

The book is cleverly planned to allow the reader maximum access to any chapter of interest with ease. Within the chapters, a powerful use of icons guides the eye to the import of the material contained therein, including such concepts as *leaders* (three different types of reference materials), *tool kits, exercises* (also classified as personal, group and so on), *resources,* and the like. There are also *systems diagrams*, which are simple flow diagrams that indicate clearly how system processes described in the book work. Margin notes aid the text by drawing one's attention and focusing the mind.

The content is compiled from the actual work of a large number of researchers and workers who have interacted with Senge and with each other in their professional and academic careers. Thus there is no single author, although a strong effort is visible to avoid a multiplicity of styles. In reading the book, one's purpose is best served by reading the first chapter, to understand how the book is constructed. Thereafter different readers, depending on whether or not they are actual practitioners of change management, may find it practical to browse through the book to subjects of practical interest, a process aided immensely by extensive "links" in terms of pointers with chapter and page number references.

The descriptions of transformation processes is explained by several of the authors in a very personal manner, which helps absorb some challenging concepts better. For instance, Philip McArthur, Robert Putnam, and Diana McLain Smith describe the evolution of change management at their study group, which eventually, over a period of several years, evolved into a full-fledged management practice.

They met at the Harvard Graduate School of Education at Chris Argyris's course, and found that they, together with some other students, could work together in a study group. These three continued to work together, turning the group into a practice. Most people who counsel others (which is really what management development is: only, counselling as it is applied in the organisational paradigm) find their own deeply ingrained habits and prejudices tend to interfere with their ability to be effective. Chris Argyris, on a visit to the practice, got right to the core and helped free them from their own traps: simply to accept oneself and move on from there. The most elegant solutions often appear simple when viewed from outside.

The greatest challenge for a learning organisation is to accept the fact that it is in the process of change, and to grow fundamentally from that acceptance. In real life, what usually happens is that 'fire-fighting' tends to sideline development activity. Success also tends to blur sight of the hard work that remains, which then gets pushed off the priority list. Facilitators who consult with such organisations find it necessary to work much harder to keep their clients focused. This book clearly exposes these situations, explaining, with exercises, how to achieve constant improvement through the process of change. The final objective is to internalise change itself, thus assuring freedom from inflexibility.

As a result, almost any person involved with managing an enterprise, be it in a primary, secondary, or tertiary management role, will find the book a delight, since it is so clearly and well laid out. The writing style too is uniformly of a high order, helping the ordinary reader to understand complex subjects and concepts.

◆ VICKRAM CRISHNA

Understanding Indian business



INDIAN BUSINESS CULTURE

By Rajiv Desai
Viva Books, 1999
pp170. Rs195

Rajiv Desai did extensive research on various multinational companies that operate in India for this insider's guide. He covers the perceptions of Indians as a whole and how the bureaucracy interferes in every aspect of business, an aspect that could well damage not just the reputation but also the business prospects of any company. This book is a must read for potential foreign investors and businesspersons interested in investing in India or planning some business ventures. In addition, it could provide enough interesting material for people who are naturallv curious about the manner in which businesses are (or can be) run in India.

However, having said that, you do feel that the author has not dealt with certain vital issues adequately. For instance, there is nothing about the stockmarkets, accounting patterns, legislative procedures, environmental clearances, labour, and Indian taxation laws. Any investor who plans to invest in any alien country would appreciate knowing the judicial system and how much time might take for legal redress in normal circumstances.

Specifically, certain important details have been missed out. It is also difficult to understand why the author has omitted export/import policies. He covers extensively the budget proposals that get submitted every year, but there is no mention of the changes affecting imports/imports that can be anticipated and the levies that accompany the proposals. Rupee convertibility is another crucial point that is left out. He discusses the electronic media regulations in detail, but makes no mention of the Times FM controversy and the eventual withdrawal of the channel. A fairly good explanation of the open skies policy in the aviation sector feels incomplete without an examination of the long delays faced by the Tata–Singapore Airlines proposal and the final withdrawal by the Tatas.

The current issues and problems that beset the Indian economy and business have been discussed succinctly. Infrastructure development is still mainly in the hands of the state. Since the political class has developed a vested interest, it has used the public sector as a vote-building mechanism. This has resulted in excess staff and underutilisation of capacity in the public sector. Moreover, this sector still offers preferential recruitment that has caused the control of departments/companies to fall into wrong hands and contributed to the depletion of funds from the exchequer. There is little provision for upgrading/reengineering.

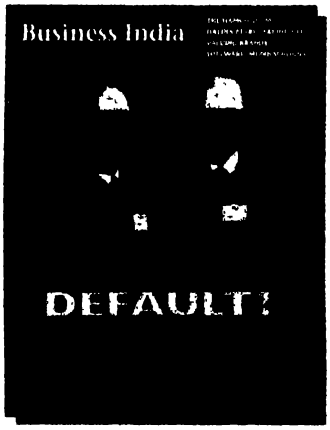
Population has been a major worry for the nation. However, statistics does show a decline and it is expected that a drastic drop will be evident from the year 2025. This in turn has affected the higher education system. There are very few good higher education institutes in India and getting admission has always been highly competitive. The major flaw in the system is the annual examination system and that has not been explained in the book at all.

Our policymakers have never advocated vocational education. A meagre budget allocation for higher education is the major cause for non-development of this sector. The other reason could be the subsidies on even higher education at the professional level. Also, nothing about the private institutes that offer vocational programmes that have been accepted by placement agencies and industries.

Overall, the book serves the purpose of informing the interested reader about the basics of the Indian system. Despite its obvious shortcomings, this work is still good value.

• M JANARADHANAN

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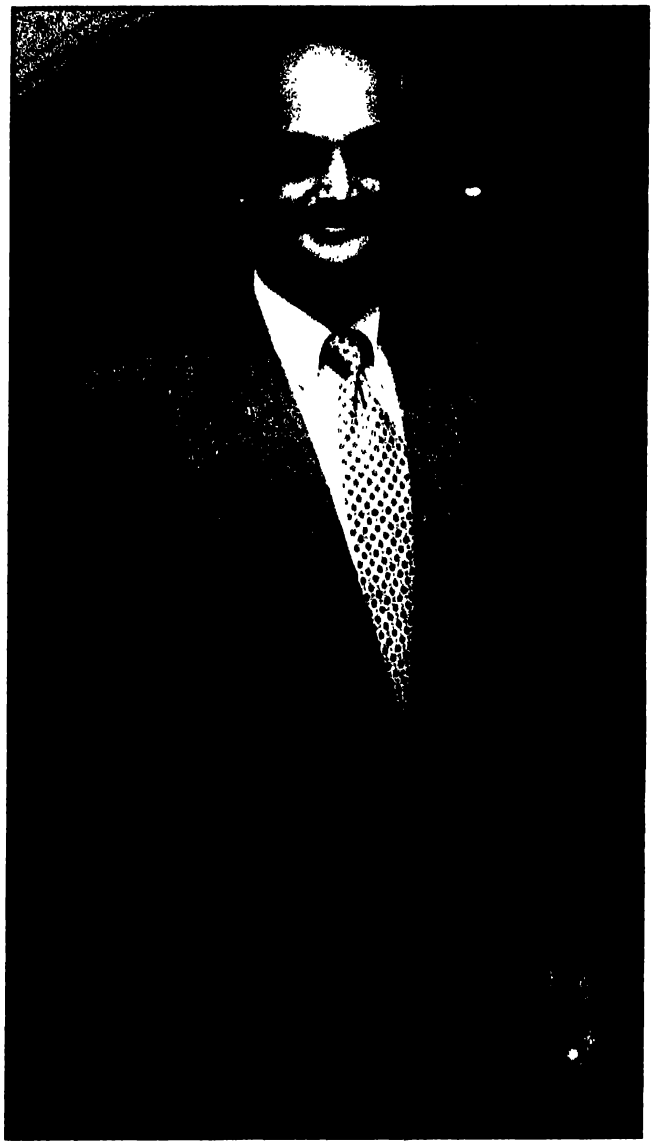
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Mentor finds his métier



UMESH GOSWAMI

Twenty-two years is a long time in a profession. For Bhaskar Pant, president, Turner International India, it is now time to leave the media world. In fact, Pant is the man who has made *CNN* and *INT/Cartoon Network* household names in South Asia. But that's it for Pant. Having tasted the Indian environment after liberal economic winds, Pant felt it was time to start something on his own. "I've left the media world but not the communications world," says Pant. He has set up a management development firm, New Millennium, in Delhi. New Millennium will basically concentrate on imparting soft skills like business etiquette, communication, etc, to clients. "In an increasingly globalised and competitive business world, companies in India are finding a need to break out of the old, conventional ways and respond to the changes," he says. Pant has tied-up with Hong Kong-based Management Development of Asia-Pacific to bring a wider Asian perspective to the company. "I've always been a mentor to my employees, so I'm taking this as mentoring," he says. •



Hung up on Bollywood

Last fortnight Bangalore-based businessman Abhishek Poddar held two simultaneous exhibitions at Sakshi Art Gallery in central Mumbai — one on old Hindi film posters which were a part of his collection and another on *kanthas*. What took him by surprise was that it was the former that caught the media's attention. Posters of films such as *Uran Khatola, Sahib, Bibi aur Ghulam, Baiju Bawra, Mr & Mrs 55*, formed part of the exhibition. "The *kantha* work is some 100-odd years old, but I guess it is Bollywood that holds the mass appeal," he says. Sample Bollywood's impact: from what was supposed to be purely an exhibition of 40 ▸

Web *yatra*

The Web site for the Mahatma (mahatma.org.in), created by the Mahatma Gandhi Foundation led by Gandhiji's great-grandson, software engineer Tushar Gandhi, was dedicated to the nation on 3 September. Gandhian Ushaben Mehta was the chief guest and industrialist S.P. Godrej the guest of honour on the occasion. The Web site, hosted by Videsh Sanchar Nigam Ltd, is the largest and most comprehensive collection of Gandhiji's legacy in the



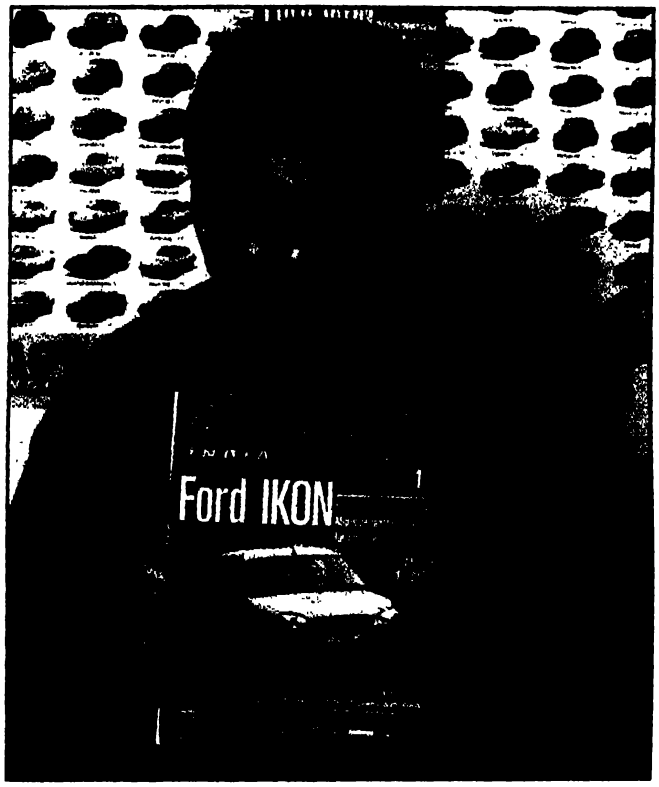

SANJAY BORADE

posters, 10-15 have been sold to collectors, movie buffs and the like. What started off as an excuse to get two evenings out from boarding school, has grown into quite a collection — of art, posters, sculptors, black & white photographs and, hold your breath, lizards made of metal. Besides collections, Poddar has another facet to his life. He helps run the family business of tea and explosives. ◆

rm of books, audio and deotapes, pictures and rtoons. It also hosts a discus-on group which chats on a verse range of topics. The undation intends to create veral special events for the ternet community in India d abroad aimed at reac-ainting them with the ahatma's teachings. A core up consisting of nakasabathy Pandyan, jay Mukhi, Harish Mehta d Dewang Mehta assisted e Foundation on this ject. ◆

New car (mag) on the block

Last fortnight a new auto magazine, *Autocar India*, hit the stands. Take a close look and you may be familiar with most of the names on the masthead. The magazine is spearheaded by publisher and editor Hormazd Sorabjee (previously editor of *Auto India*). After a good innings at *Auto India* and learning the ropes of the publishing business, "it was time to do something on my own," says Sorabjee. He has set up his own publishing company, Sorabjee Automotive Communications Pvt Ltd. As far as auto magazines go, competition is rife. While *Auto India* is number one (ABC certified), *Autocar* is counting on being number one in terms of the quality of information and its strength at vehicle evaluation. Sorabjee is going further than publishing. "I'm looking at providing and receiving information on a global network," he says. The London-based *Financial Times* has commissioned him to do a report on the Indian auto industry. Plans notwithstanding, one thing is for sure — *Autocar* will ruffle some feathers, if they haven't already! ◆



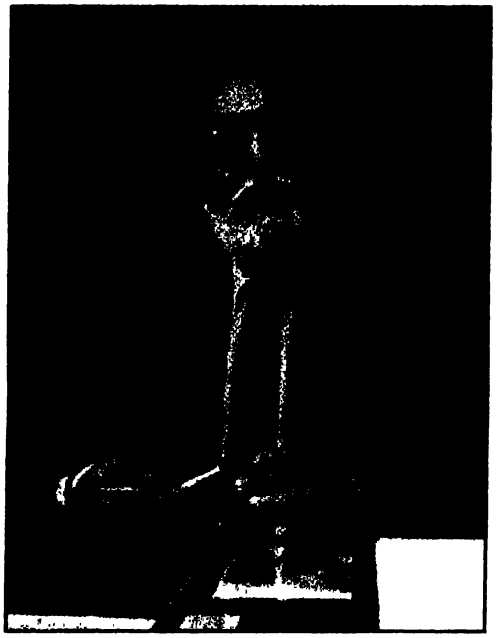
PAL ARSHANIAN BHATNAGAR



The much talked about India Talkies, a theme restaurant on the lines of Planet Hollywood, has finally made some headway. The promoters have finally found the most important thing for their restaurant — a place. The first outlet will be opened at the Phoenix Mills in central Mumbai early next year. India Talkies is co-promoted by Wizcraft Entertainment Agency, GS entertainment, Bharat Shah, Smita Thackerey and Swati Prashant Thanawala. Film stars **Salman Khan, Sanjay Dutt, Govinda, Karishma Kapoor and Mahima** are also involved in the project. "The restaurant will add a new dimension to entertainment," says Salman Khan. Besides serving Indian cuisine and cinema, plans are to host promotional activities like *mahurats* as well. This is serving cinema on a platter. ◆

"Regional parties are better"

As the elections get murkier every passing day with various political parties harping on personal attacks rather than issues that really need to be addressed, the job of the election commission is getting tougher. Not to be outdone, chief election commissioner **Manohar Singh Gill** has taken it upon himself to try and cleanse the system. Talking to **Manoj Narula** of *Business India*, he elaborates how during the last nine years the commission has become so effective and what role it envisages for itself in the coming years



Q. How do you see your role in the coming elections especially when there is so much animosity in the air?
A. Ever since the electoral process began, I have been personally disappointed at the tenor of the campaign with all political parties indulging in personal attacks and unethical practices. It has to be understood by all responsible people that to uphold the essence of democracy there has to be a check somewhere. Unfortunately, I do not find anyone completely innocent. Yet, I would say that perhaps the smaller regional parties are better than the various national parties, particularly the top two, in terms of restraint. As a former agriculture secretary, I know that we are struggling at 200 million tonnes of production and, with the pace of population growth, it may just not be sufficient. We are lucky to have good monsoons in the last decade and there seems to be no plan for an adverse situation. These are the issues every Indian would want to be seriously debated so as to what is in store for India in terms of long term economic well being.

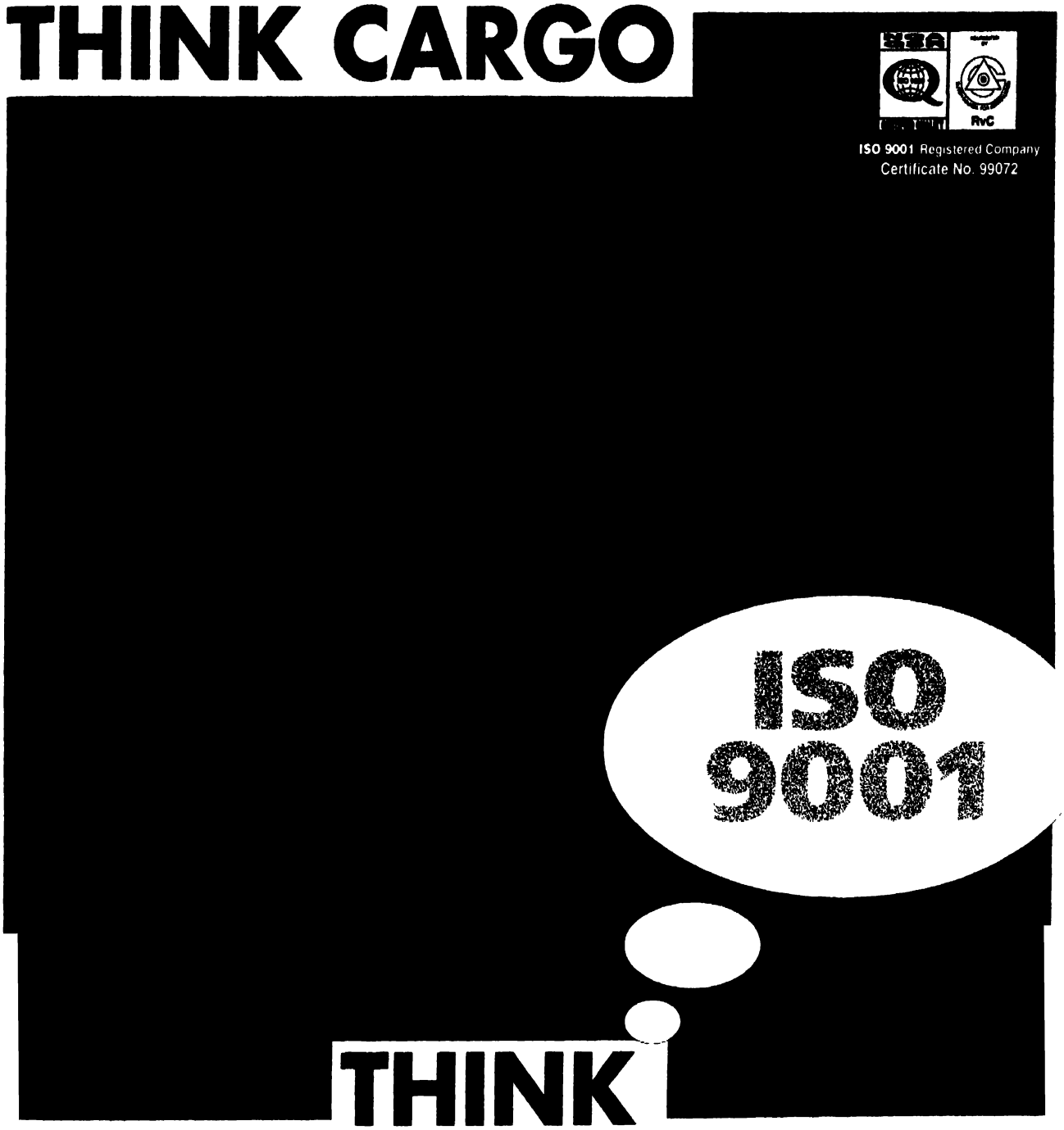
Q. What are the basic tenets of the model code of conduct?
A. It is a mutual agreement between all parties that came into effect in 1967. The basic fundamental issue is that either at the state or national level one party going into elections holds the state power, which it should not use for electoral gains. The commission tries to broadly enforce policies that could create a level playing field. Over the last nine years, this code has become fairly effective. I have met 42 recognised national and state parties and discussed the various aspects of the code with them. It is not an easy task as we invite lot of criticism while playing the role of an impartial umpire or administrator.

Q. How will you ensure that everything goes right this time especially when there are voices from certain quarters that you are too harsh at times?
A. If one looks at the scale of operations we are involved in, it is not difficult to understand what happens when more than 100 crore people are involved. Telephones, fax, complaint petitions and what not makes life hell. Everybody wants instant action as in most cases the complaint automatically becomes redundant after 15 days. We have complete machinery across the country with three observers in every constituency as well as state level staff working throughout. I myself start working from 7:30 in the morning as the entire commission works in a military operation mode.

Q. What have you done to enhance the quality of elections through technology upgradation?
A. Well, I have introduced electronic voting machines (EVMs) successfully in the last elections on an experimental basis using the machines that were rotting in the stores for the last ten years. Let me tell you, these are simple battery-run EVMs prepared by our public sector plants in Hyderabad and Bangalore. Our election expenditure is to the tune of Rs700 crore. These machines will further reduce the cost and time as it needs no papers, no boxes and big counting stations. EVMs are also linked with our Website as we have computerised the entire electoral rolls. The parentage of the voter and ID card numbers is recorded to avoid bogus voting. Also counting becomes easy and fast.

Q. How do you monitor the direct as well as the indirect cost of elections in addition to regulating candidates and political parties not overstepping their limit?
A. As you know, in the last elections we spent Rs650 crore which is expected to touch the Rs700-crore mark this time despite 46 constituencies going to polls on EVMs. The entire expenditure is regulated at different levels right from constituency to the head office. In every constituency, out of three observers, one is a financial guy from either the Income Tax department or the ministry of finance or commerce who looks at the constituency level spending of candidates. Then we have senior officers at regional and state level working in tandem with the central office. Most of the powers have been delegated at various levels. Proper training is imparted for one month before deputing an officer for this job and he goes by the rule book supplied to each one of them.

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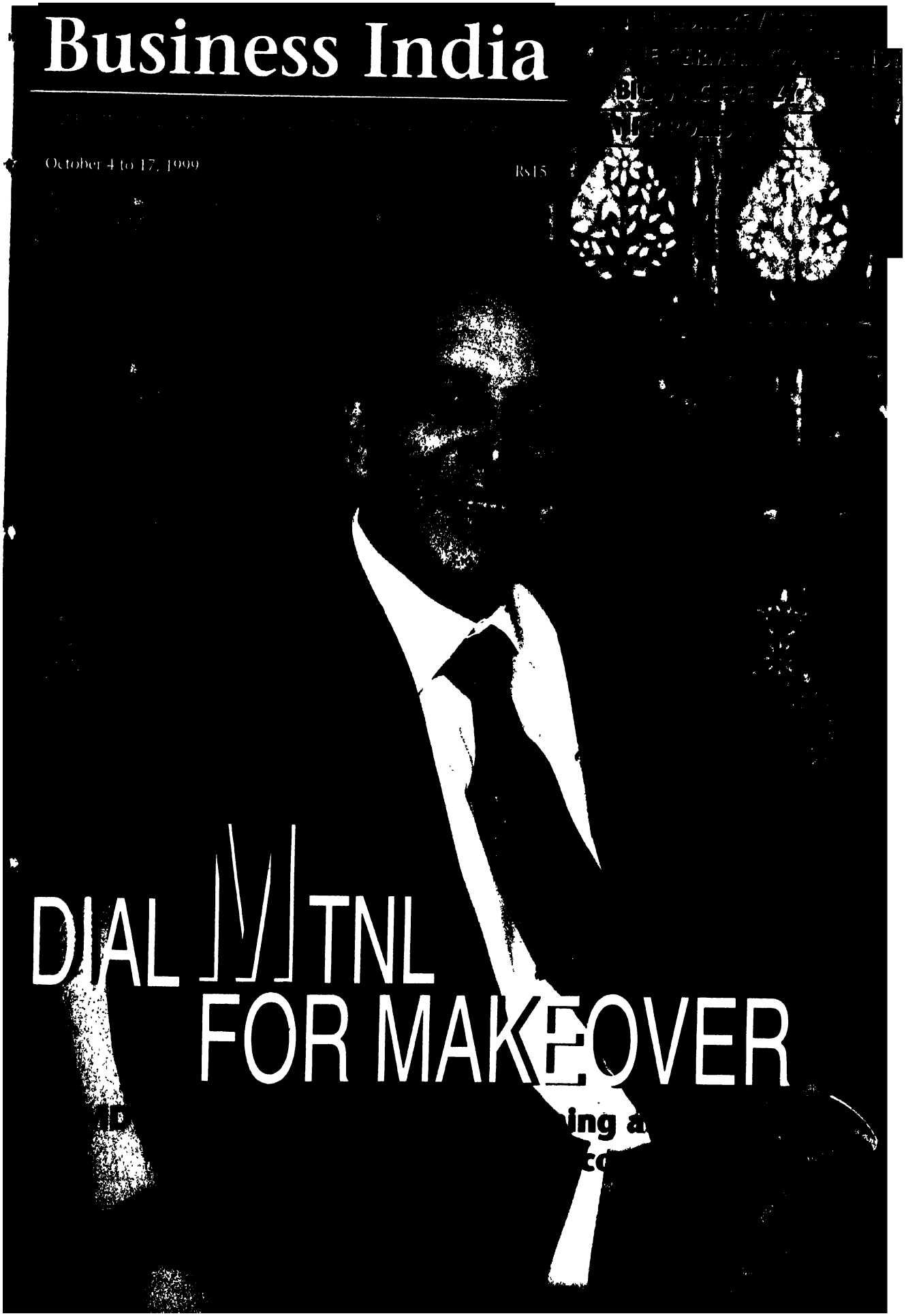
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Business India

Telecom is a sector in great ferment all over the world. Technology is changing very fast, leading one to believe that something akin to Moore's law in semiconductors is operating in telecom as well. Deregulation of telecom in advanced economies like the US, the UK and now Germany, has led to drastic fall in tariffs and better service; be it in fixed or mobile telephony or data communication and Internet services, despite the fact that even prior to deregulation, they already had an infinitely better telecom infrastructure than India. It is in this light that observers are looking at changes occurring in the Indian telecom sector and particularly, MTNL.

Set up as a basic service provider in the prime metro areas of Delhi and Mumbai, MTNL has rapidly moved ahead of its parent body, the DoT, in terms of growth in lines and revenues. Digitisation of the switches, introduction of Intelligent Networks, move towards better customer services all show that MTNL is on the right track. There is no doubt that change has been driven by the relative autonomy given to MTNL, by corporatising it. More recently the element of competition, has also given MTNL a wake up call. However the woes of private operators in their battle against DoT and their difficulties in raising resources before achieving financial closure of the projects due to uncertainties in telecom policy, have benefited MTNL by providing it with some breathing time.

But staff quality continues to be a matter of great concern for consumers, there being innumerable complaints about errant and corrupt linesman. The management should be given a free hand to deal with the inefficient and corrupt while being free to raise the remuneration of the better ones. Of course fibre optics in high density areas like the commercial districts and wire less in local loop in residential areas will reduce the need for intervention of line staff. On the mobile telephony front as well, while predatory pricing should not be allowed by any player, a genuinely cost effective technology along with reduced handset costs will lead to an expansion of the mobile market rather than a zero sum game. There is no reason why mobile telephony should not become a mass communication medium in metros as is the case in Scandinavia, Hong Kong, Singapore and European capitals. MTNL can provide leadership in the same.

The management also needs to make and be free to make commercial decisions like discounts to bulk consumers, tying up with specialists in marketing its data and Internet services, quick adoption of cost effective modern technologies, etc, on the run. If MTNL has to wait for DoT approval for all such operational decisions then it will never realise its full potential.

For one the divestment has to take place further and reach the level of 26 per cent there by facilitating the entry of a completely professional management for MTNL without interference from DoT. Also one seriously needs to examine whether two MTNL's are not better than one each focusing on service provision in a particular area like Delhi or Mumbai as two cities 1,000 km apart make no sense as a service area.

After all we Indians are a talkative lot, provided the service quality is good, tariffs are reasonable and telephone on demand becomes a reality, telecom is a real growth story and MTNL will continue to be a part of it.

in this issue

Accountancy	90
Advertising	98
Banking	86
BI Index	16
Books	178
Businessmen in the News	28
Internet Notes	32
Column	38, 96, 146
Corporate Reports	70
Cover Feature	50
CyberNews	18
Development	118
Dhir's Page	44
Economy	46
Economic Indices	48
Editorials	9
Enterprise	129
Executive Focus	156
Executive Track	158
Feature	109
Finance	88
Focus	65
Follow-up	20
For Your Information	15
Government & Politics	39
Infotech	131
International Briefs	155
International	154
Internet Addresses	136
Interview	184
Labour	116
Letters to the Editor	4
Listening Post	12
Long View	140
Management	94
Manufacturing	127
Marketing	104
Market Talk	149
Marketwatch	150
Media	114
Mutual Fund Monitor	153
Mutual Fundwatch	144
Newscast	24
New Issue	142
People	182
Selections	175
Small-cap Stock	141
Special Report	58
Technology	124

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Corporate Reports

70
NRB BEARINGS ▶
This Rs100-crore company has initiated some moves to go places

72
HOGANAS INDIA



With capacity expansion and a pick-up in demand for iron powders, Hoganas India seems set for a smooth sail ahead

74
McDONALD'S



McDonald's India is replicating the global concept of network economics

81
KIRLOSKAR BROTHERS
This Rs350-crore company has pumped up its order book position

39
Government & Politics
The thaw in Indo-US diplomacy is leading to mutual warmth between the two nations

46
Economy
The government is in a sticky mess over its management of petro-goods pricing

86
Banking
Times Bank is honing its business strategies for the millennium

88
Finance
Various factors have affected the growth of the factoring business. SBI Factors too has been badly hit



98
Advertising
Companies are increasingly tapping below-the-line activities for effective communication with their customers

104
Marketing
New entrant Wella is counting on service to differentiate itself in the Indian hair colour market

114
Media
Sri Adhikari Brothers, is preparing to turn broadcaster. A case of vaulting ambition or sound business strategy?

116
Labour
Labour unrest and an impending lockout put a question mark over the future of the country's largest shipbuilding yard

118
Development



A septuagenerian doctor has changed the Dooars, perhaps for ever

131
Infotech
Mainframes are not dead, nor are they sleeping
A group of seasoned systems strategists positions itself as the right partner for small and medium



9
Editorials
- India's biggest satellite broadcasters are ready for domestic uplinking, but the new government isn't about to give up control
- The healthy response to VSNL's public equity issue is a positive precedent for the rest of PSU divestment
- When cracking up of relationships is the order of the day, it's time for Indian management to examine why they happened in the first place

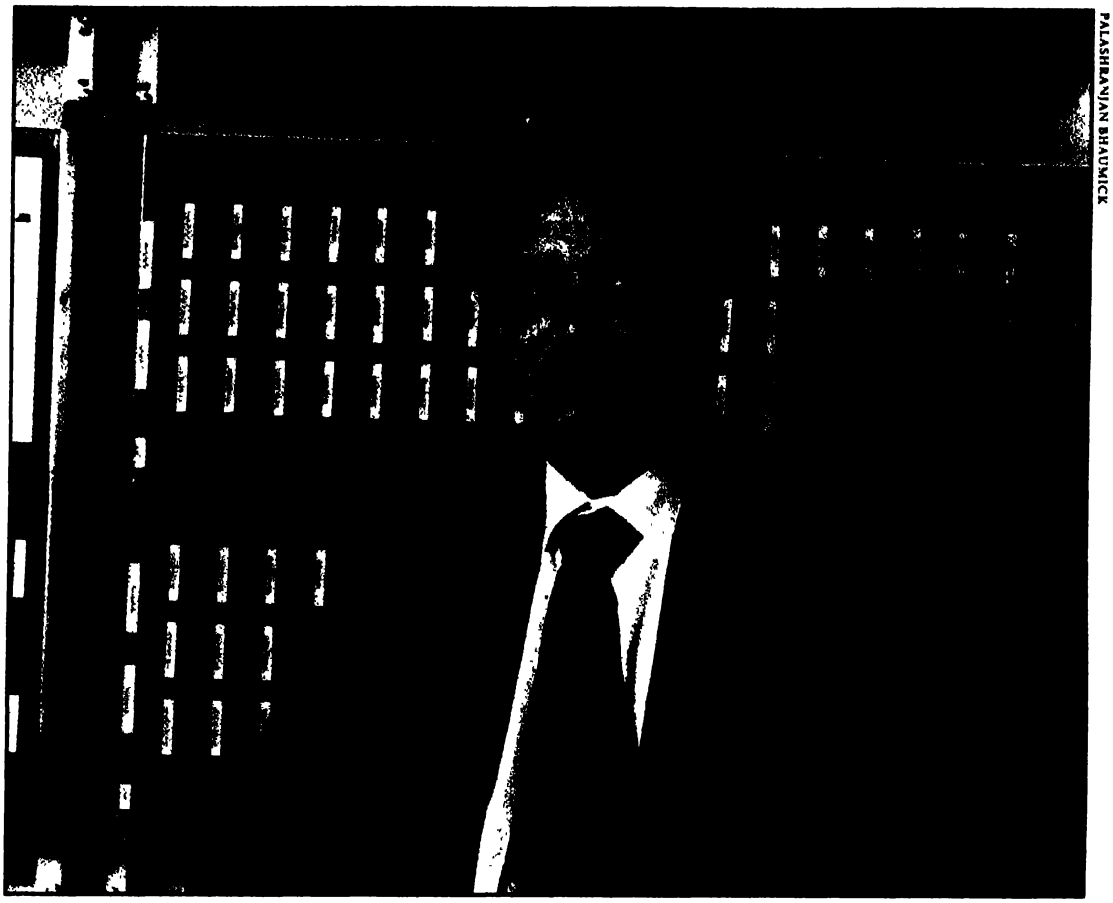
20
Follow up
- Two leading *nidhi* companies are facing serious repayment difficulties
- Having bagged new orders, Alfa Laval continues to surge ahead
- Unichem Laboratories is ready to bounce back with the launch of new products
- We predicted Gujarat Industries Power Company was sure to bounce back. The journey has just begun.

32
Internet Notes
The Internet is responsible for most IT companies' business strategies today. Here two applications extend enterprise management software by two European multinational vendors to the Web, while the Indian showcase of the international Internet business conference and exhibition attracts visitors and organisations from across the world

COVER FEATURE
50

Rewamping MTNL

From a nonchalant public sector monopoly, CMD S. Rajagopalan is transforming MTNL into a savvy telecom major by revamping its existing network nd entering a gamut of new services



PALASHRANJAN BHAUMICK



Cover photograph
PALASHRANJAN BHAUMICK

SPECIAL REPORT
58

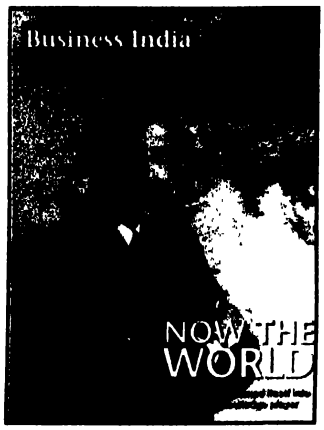
World Tourism Day – September 27 – has come and gone, passing India by once again





FOCUS
65

As with most industrialised countries India does business with, New Delhi hails Germany as a major trading partner, whereas in German eyes our country of a billion with aspirations towards a heightened global stature is essentially just another nominal market



◆ A market leader

The management of NIIT deserves full marks for maintaining steady growth right from the beginning (Cover Feature, 19 September). NIIT is the pioneer in computer education in India and when it brought this concept to India, there were unorganised players in this business.

NIIT should, however, spend more on research as well as on advertising itself so as to make it even more competitive in computer education. No doubt its foray overseas will pay rich dividends, but it will need to introduce some extra services and new products in the Indian as well as international markets in order to emerge as the market leader in respect of its services and products in the next millennium.

AKHILESH KUMAR SAH
Faizabad

◆ Stem the influx!

Apropos of your back page interview with Maharashtra cultural affairs minister Pramod Navalkar (23 August), there has been much discussion on the influx of people into Mumbai and many suggestions on how to curb it.

There are, however, those who raise a hue and cry that India is a free country and nobody can restrain others from settling down wherever they choose to. But they ignore the fact that alongwith such right must come a degree of accountability. Mumbai is attracting rural hordes like a magnet and its population has crossed one crore and increasing by the day. It is time something is done to stem these surging tides not only from other states, but from other parts of Maharashtra as well.

Mumbai is faced with an acute housing shortage, its civic services are close to collapse and the municipal corporation lacks resources to bear any further burdens. Mushrooming slums have turned the city into an open latrine, causing serious health problems.

All persons entering Mumbai should be made to pay for using the civic services. There should be no legal hurdle in this regard and it would be worthwhile to examine whether entry could be permitted only to those who have a well-settled sponsor in the city. The floating population, of course, need not be covered by such regulations.

In the interest of Mumbai's survival, all political parties should support one another in curbing the massive influx for the benefit of the local people and the betterment of the city.

BHAGWAN B.THADANI
Mumbai

◆ Bring back the BJP

Reserve Bank of India governor Bimal Jalan is justified in his assertion that the country is entering a period of rising expectations. The Indian economy is manifesting a recovery, with industrial output recording a 5.6 per cent growth and consumer durables in particular recording a growth of 11.1 per cent.

Exports soared by 11 per cent at $2.6 billion, inflation plummeted to 2 per cent, while sentiments on the stock market remain high. The fiscal deficit at 6.5 per cent as on 31 March is now targeted at 4 per cent for the current fiscal. Foodgrain production in 1998-99 was a record 200 million tonnes, while foreign exchange reserves have touched $ 30 billion.

The Atal Behari Vajpayee government has gained the faith and confidence of the international business community in the recent past. Hats off to finance minister Yashwant Sinha. Let us therefore bring back a stable BJP-led government for that icing on our cake.

While on the subject of elections, it is surprising that not a single political party, either at the state assembly or Parliament level, has this time promised to enforce prohibition or some curbs on the liquor trade as had been the issue to entice women voters in the past. Haryana and Andhra Pradesh had to renege on their vows of a liquor-free state owing to the lucrative revenues alcohol has traditionally earned.

The visionary that Mahatma Gandhi was, he strongly favoured prohibition as he believed that our youth, the nation's invaluable asset, would be most affected by alcohol. Is somebody listening in the political fraternity?

NITIN HOSKOTE
Mumbai

◆ Unjust deserts

Regarding your article on Enkay Texofood India Ltd (5 September), we would like to clarify that the Indian Air Force Benevolent Association, a welfare organisation of the IAF, made a fixed deposit of Rs1 crore for one year with Enkay on 5 May 1998. IAFBA's primary role is to provide financial assistance to families of bereaved Air Force personnel. For this purpose surplus funds are invested with limited companies.

The company's post-dated cheques for repayment of the principal and payment of interest for the last quarter were, however, returned by our bankers for want of funds. After a meeting with Enkay's CMD, Tulsi Das Goyal, in Mumbai on 10 May 1999, the company agreed to pay our outstanding dues weekly so as to clear them by 15 August.

But the company has hitherto paid only Rs5 lakh of the total dues of Rs1.08 crore and several attempts by the undersigned to contact Goyal were of no avail. With the nation wholeheartedly supporting our defence personnel in the wake of the Kargil conflict, it is deplorable that companies like Enkay deny the dues to our brave servicemen and their widows and children.

IAF BENEVOLENT ASSOCIATION
New Delhi

◆ We're doing well

We appreciate the scathing analysis and research done in presenting certain important aspects of the banking world in The emperor's new clothes on the IndusInd Bank (12 July).

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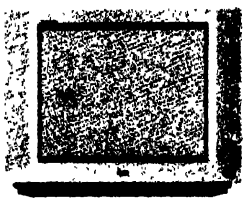
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Watching the waves

India's biggest satellite broadcasters are ready for domestic uplinking, but the new government isn't about to give up control

Earth stations-cum-gateways are the flavour of the season and at least three important Indian players – Zee Telefilms' Subhash Chandra, Ramoji Rao's Eenadu, and J.K. Jain's Jain TV – are racing against time to complete their projects. Of the three, two are based in Noida, near Delhi, while Eenadu's earth station is situated in Film City on the outskirts of Hyderabad. Both Eenadu and Jain TV have a technology partner in Scientific Atlanta of the US, while Zee has tied up with Canal Plus of France.

More significantly, ICICI is bankrolling Subhash Chandra's venture to the extent of Rs157 crore. This project is the one to watch because Chandra remains the most formidable player in the Indian television business and is looking at uplinking by mid-November, depending on statutory government clearances. Meanwhile, his Alpha channels – Marathi and Bengali – are being uplinked from Singapore on Asiasat 3S. Chandra, always first out of the blocks, is keen to develop the subscription market through this foray so that he can be the first to reach the operator (DTO or direct-to-operator). As always, his combative skills and energy to transform threats into opportunities is standing him in very good stead. To successfully arm-twist a global media czar into parting with his stake is a tremendous shot in the arm for Indian biz.

Subhash Chandra is reinventing himself as an Indian broadcaster at a searing pace in anticipation of the Broadcast Bill. Zee has already applied to the Union government to uplink from India and permission is believed to be a mere formality. It currently uplinks from Hong Kong, but once the earth station is up and running it will become the first Hindi broadcaster after Doordarshan to beam out of India. The buzz is that, once the new government is installed in Delhi, it will be a matter of time before the Broadcast Bill sees the light of day. Needless to say, many of the provisions of the erstwhile bill have been delinked as separate policies such as uplinking for private Indian networks, DTH, notification to make two DD channels – DD National and DD Metro – mandatory on the cablewallah's prime band, and the reduction of Prasar Bharati to a non-entity.

Satellite broadcasters have been using the C band to beam signals into India and I&B minister Pramod Mahajan has time and again argued for a regulatory mechanism to keep a watch on the Ku and C bandwidths, especially the former, which has strategic implications. It needs to be stated here that, even in the US, laws vest control of broadcasting with the federal government. In fact, the law is so stringent that a broadcaster has to beam through an American satellite, giving the government the right to snap the beam whenever it wants to. Even more interestingly, this law is in place despite the fact that satellite television is a peripheral player when pitted against terrestrial television in the US and even foreign equity capital in the business is as low as 25 per cent.

Will the Broadcast Bill aim to encourage the domination of Indian television viewerspace by Indian broadcasters, with majority Indian shareholding and uplinked from India? This seems to be the case, judging by the thinking in North Block. The Union finance ministry, for instance, is planning an upward revision in the presumptive tax paid by select foreign telecasting companies on revenues presumed to be remitted abroad from 10 to 20 per cent in the short term.

Along with Subhash Chandra and J.K. Jain, Lalit Modi of Modi Entertainment Network is reportedly lobbying extensively with the party that is favoured to win the polls — the BJP. But there is a lobby that wants to see the creation of a new Broadcasting Regulatory Authority, offering a level playing field and incorporating the salient points of the Broadcast Bill. The other monkey wrench that could be thrown in is uncertainty over the appointment of the new I&B minister.

If Indian-owned companies uplinked from india are alone allowed to broadcast into India, then both Sony Entertainment Television and the Star network will have to morph themselves. For while both have Indian fronts — News Television Pvt Ltd and SET (P) Ltd, they are not Indian-majority-owned. Which means that they will have to establish new Indian-owned entities in order to uplink from India. Clearly, the new government will aim to protect the country's airwaves. Interesting times ahead.



Way to go

The healthy response to VSNL's public equity issue is a positive precedent for the rest of PSU divestment

Amidst all the hoopla about the performance of infotech stocks and the gleeful reporting of the antics of politicians aiming potshots at each other, usually below the belt, one piece of news should bring out the smile on doomsday economists. The disinvestment programme of the Videsh Sanchar Nigam through a public offer in the country has succeeded in a way that should now form a path-breaking precedent for other successful public sector enterprises to emulate.

In September the public offering of the VSNL share came to an end and the response was terrific, at least by the standards of earlier PSU divestment. The most important evidence of this was the fact that the issue was subscribed four times over. By the standards of other IPOs this may not amount to much; one IT company going public for the first time had its issue oversubscribed 65 times. But the fact that the public lapped it up presages the way that other PSUs should make public offerings.

To start with, it is true that the markets are going through a bullish phase and that the government therefore chose the right moment to offer a blue chip company. Public perception about the VSNL scrip was probably influenced by its perceptions about the company and its continuing role in the telecom sector. Despite the entry of private players, VSNL will continue to remain a major player, at least in the medium term, till such time as private companies set up their own gateways. There is also the fact that the public is literally starved of good scrips; the only ones that are coming into the market are, by and large, IT companies. Given the supply constraints, it might be said that the response to the VSNL offering was rather to be expected.

But these factors merely define the context in which VSNL came into the market; they cannot explain the public reception. What does give us some idea of the depth of response is the way the offering was structured. The offer price came at a discount, each share being priced at Rs750 as against the existing market price of Rs1,050. The discounted price and the positive perception of the investor regarding the company's medium-term prospects give the VSNL offering a significance that no other divestment has had so far.

The VSNL experience marks a break from the apathy that has marked the divestment programme so far. In fact, it was an earlier experience with VSNL that led to a kind of ostrich-like attitude on the part of officials and ministers alike on the issue of disinvestment in general despite the recommendations of the Divestment Commission that had laid down the parameters by which the concerned PSUs could offload their shares. At that time the officials searched for what they figured to be the right price; as a result GDR issues were delayed on two occasions. One of the issues that was discussed then and dismissed out of hand was the possibility of offering the share at a discount. Officials were concerned that a discounted price would seem like a slur on the company, a perception that mercifully they have overcome in this instance.

Falling in line

With the VSNL case the government falls in line with international experience with divestment. One preferred route to attract investors to state-owned enterprises is to sell at a discounted price and give the investor the luxury of watching his share move up in the following months. Given a reasonable performance with sound efficiency indicators, the investor looks for a bargain even if the state retains majority ownership. Nothing shows this up more than the experience of the State Bank of India and the Industrial Development bank of India. While SBI made a public offering at a discounted price, IDBI put a premium. The owners of the SBI are singing in the bath and it is likely that, if the bank were to offload more at a discount from the current price, there would be enough buyers. The same cannot be said about the IDBI stock, whose value has steadily fallen.

Clearly, the task for the next government has become easier with the VSNL experience. What's needed now is a bold approach by a clutch of PSUs with a good track record, all entering the market with discounted prices. At the end of the day such offerings by the *navratnas* could set the primary markets, which have yet to be inspired, on fire. •



Letting go

When cracking up of relationships is the order of the day, it's time for Indian management to examine why they happened in the first place

Two major and (at the time) much-ballyhooed joint ventures have ended up on the rocks in the last month, both involving once-revered Indian industrial houses, the Tatas and the house of Godrej, with IBM and General Electric respectively. Others have splintered earlier — Modi with Lufthansa and Olivetti, Hewlett-Packard with Blue Star, and subsequently with HCL, the Doshis with Fiat and then with Peugeot, and of course, Godrej with P&G. All of the latter partnerships had split up at a time when the economy was much smaller than now, and the future not as bright either.

Building long-term relationships with customers is the focus of top management all around the world. It therefore appears curious that this should not extend to one's business partners in a fast-emerging market like India, especially since the first pair at least of the ventures mentioned above had apparently survived the worst of the economic slowdown. Shouldn't they now be examining ways of reaping the whirlwind together, rather than apart?

One possible reason for their discomfiture is that Indian managers, being for the most part scions of long-established (second- and third-generation) business families, find it hard to accept dilution of their financial stakes, and with that, absolute control of their businesses.

It may not be entirely true that the absolute financial stake has had an identifiable role to play, since structures of convenience from decades back have often made tracing the controlling stake difficult. However, the issue at hand here is more one of control than of financial holding. This has sought to be explained time and again as one of market familiarity, where the local player has claimed that knowledge of the market is an unbeatable advantage in a partnering relationship between an Indian and a foreign company.

However, family control of businesses, the so-called Indian way of doing business, is showing definite signs of wear and tear. The richest man in India, for instance, chairman of the board with a personal holding of fully three-quarters of the public stock, is watching a blaze of publicity die down in a cold splash of massive departures of professional managers, beginning with the chief executive, from his enterprises.

These are inescapable signals of the need for Indian entrepreneurs, and especially their descendants, to look long and hard at the real need to cling on to huge stakes in their companies. The vast majority of companies in the West are professionally managed, even when they are closely held. There are just a handful left where second- and third-generation family members are still given an automatic right to govern.

Some Indian owners of major corporations have had the fortitude to let go of control without necessarily diluting their stakes. For instance, the Lal family no longer plays an active role in the management of the Eicher group.

All the more reason, then, for managers to examine the real reasons for equity alliances in the current environment. At one point, it is a fact that money was hard to come by, and technology not available for love or money. Today the scene is very different.

Strong industrial houses have very little difficulty accessing money from international markets for their businesses at very good valuations, even by Indian standards. Technology is also not an issue, for businesses can see that the posturing of governments towards the WTO is just that. Also, technology changes much faster, and acquiring new technology is only meaningful when one is prepared to adapt and improve it, à la Japan.

Next month should see the Modi house pick up around $35 million in combined debt and equity for the revival of its shut-down airline, ModiLuft. This will probably happen with a change of name and management, but S.K. Modi stands to retain a decent stake in the revamped venture when it takes off. The company will begin with current aircraft, but intends to upgrade within three years to the state of the art.

One example does not signify a trend, but it does serve as a pointer for other industrial houses. Their dependence on free handouts from the government in terms of licences and cheap money (from government-controlled financial institutions) is not the only way to build good businesses. It is not even the best way, because that kind of thinking tends to seep through and weaken the very fibre of their organisations. Strong companies need strong managers, and good enterprises need enterprising leadership. Indian management has not been short of enterprise in the past, and will not be in the future. •

A new venture

Incubator capital fund eVenture has inked a deal with acquavit, Inc, the Indian incubator set up by Neeraj Bhargava, Rajesh Jog and Sandeep Singhal to run the Indian operations. eVenture is a joint venture between Japanese infomedia giant Softbank (Comdex, Ziff-Davis, etc) and Rupert Murdoch's News Corp, through the latter's $400 million venture capital company ePartners. It is mandated to assist Internet-related ventures in four distinct geographies — Australia, New Zealand, UK and India. eVentures India will provide finance and entrepreneurial assistance services to Indian start-ups, including all the ventures already supported by acquavit. The latter recently announced its acquisition of a 26 per cent stake in e-business solution provider NetAcross valued at $1.75 million. This was directly intended to provide solutions to other acquavit incubatees in a preferred partner relationship.

Logging into Probity

After the proclamation by GE Caps' Gary Wendt that Indian infotech remains a sunrise area and that he is willing to back specific ventures to the tune of $150 million, comes the news that global venture capitalist CDC has shown interest in an Indian information provider. Signalling that venture capitalists are now looking at related areas, that is information disseminators. The grapevine has it that Commonwealth Development Corporation has picked up a 12 per cent stake in research outfit Probity Research & Services Pvt Ltd at a cost of $1 million. Probity, headed by Nirmal Jain, specialises in research and analysis of corporates. Earlier this year, the company put out all its research on its website Indiainfoline. CDC's cost of acquisition puts the valuation on Probity at $8 million.

Food for growth

The Kanan group ($100 million in revenue), promoted by the non-resident Indian Mehul Shah who earlier dabbled in diamonds, has been attracted by the business opportunities available in India. Based in the US, Shah has begun his first strategic acquisition of equity in mushroom maker Agro Dutch Foods through a preferential allotment at a substantially higher premium to the prevailing market price of around Rs130. Shah is an exclusive distributor of Amul dairy products in the US. Kanan is looking for other investment avenues in the food-related business. The buzz is that Shah is looking to acquire a substantial stake in cigarette maker VST's foods business.

Zee-Sony tango

ZEE TV continues to push forward with its battle plans. Recently, Zee Telefilms supremo Subhash Chandra summoned the fund managers of leading mutual funds for a presentation on the company's future strategies. Under the new game plan, the network is looking at launching pay channels under the direct-to-operator (DTO) bouquet. According to company officials, the revenues will ramp up considerably by optimising this route. And this will supplement the monies rolling in from air time sales. That is not all. The fund managers were quite taken aback when it was announced that Zee was planning to form a cartel with its arch rival Sony TV in this pay channel venture. Is it to teach a lesson to Murdoch's Star from which Chandra has successfully negotiated a divorce by paying $300 million alimony?

Flying high

Recently, commercial pilots were reportedly besieging a hotel in north west Mumbai as the Sultan of Brunei-floated North Star airline was in the city offering absurd sums of money. Pilots are forever jumping ship, or rather airplanes, in search of new vistas and fatter pay packets. The queue included pilots from the top airlines all trying to move around surreptitiously in the hotel lobby.

She is the Taj

'She is the Taj', the highly successful TV commercial (TVC), is now ready to get an international audience. The TVC created by Rediffusion DY&R, and the very first time from the Indian Hotels Corporation Ltd stable, made waves in the marketplace. Now, after completing the process of restructuring at home and abroad, managing director R. K. Krishna Kumar (KK) is now going all out to build equity internationally. With the branding and segmentation of the Taj properties complete, breaking them down into luxury, business and leisure categories, Rediffusion's foreign associates Young and Rubicam are modifying the Indian campaign to release a major television campaign in the US and Germany.

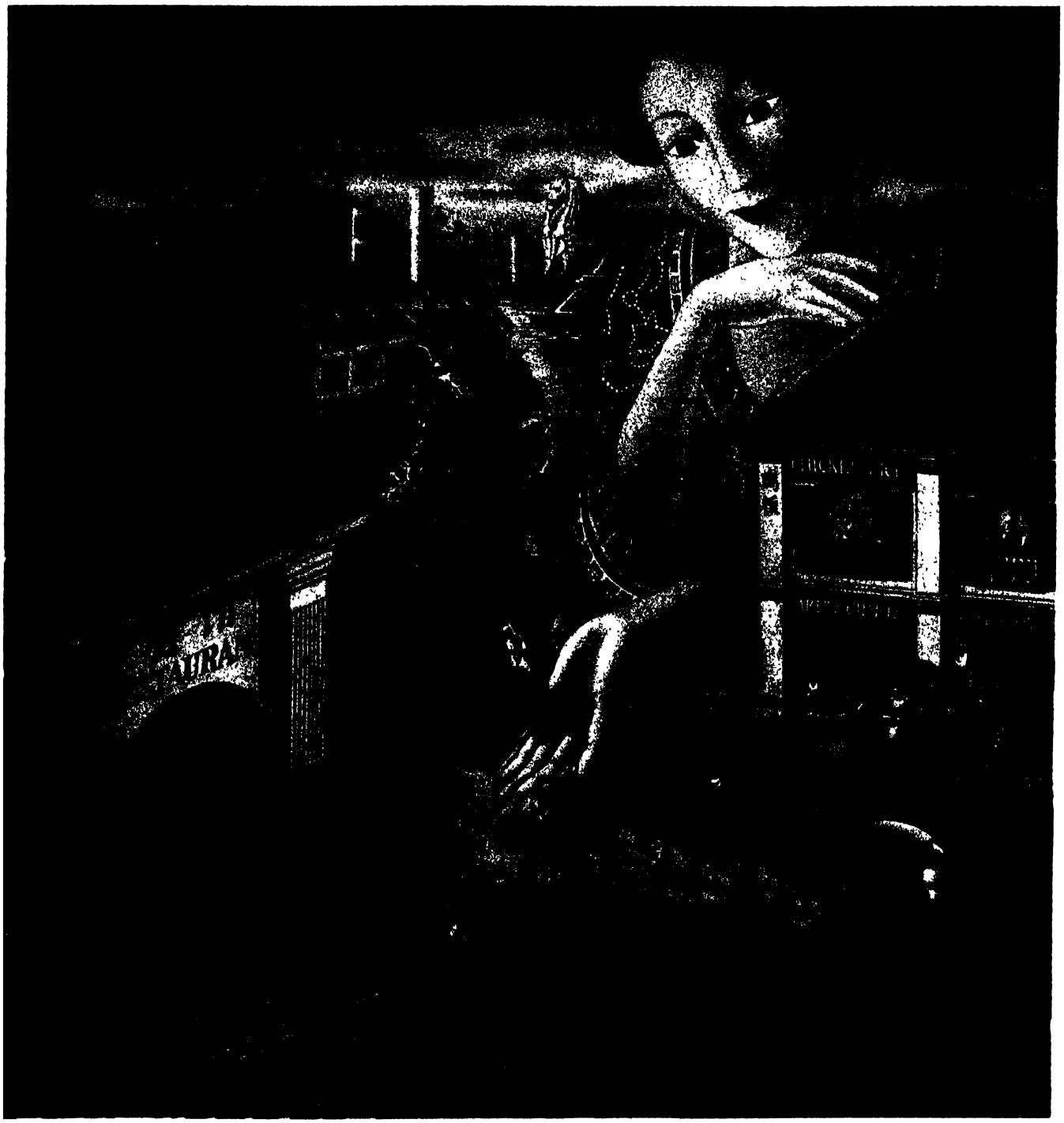
It will once again be a first for the Taj and is expected to be a major statement in markets which are expected to bring in many more visitors to India's top hotel chain with a presence in all the segments. Concurrently mirroring chairman Ratan Tata and KK's vision of making the Taj group a global player, replete with international standardisation. As such, Richey International, a US-based firm which carries quality audits, is currently touring Taj properties in India even as the new Taj management tries to benchmark its hotels and personnel with international chains.

More on advertising. The buzz is that with O&M having recently pouched the Rs30-crore-plus Castrol account, it has had to jettison public sector major Bharat Petroleum Corporation Ltd's corporate account. Suitors for the Rs10-crore corporate campaign include Lintas which is the odds on favourite to bag the account.

Vir Sanghvi for *HT*

With V. N. Narayan caught out by B. N. Unniyal in the *Pioneer* for plagiarising and having to leave *The Hindustan Times* under a cloud, the search is on for a new editor. Chief executive Shobana Bharatiya is very keen to appoint Vir Sanghvi for the prestigious position. It remains to be seen whether executive editor Bharat Bhushan is amenable to the idea. In fact, the venerable *HT* has been caught in a maelstrom lately, what with Narayan and the Mumbai bureau chief's (the Monica Lewinsky analogy story) letter to the executive editor being leaked to the press by I&B minister Pramod Mahajan.

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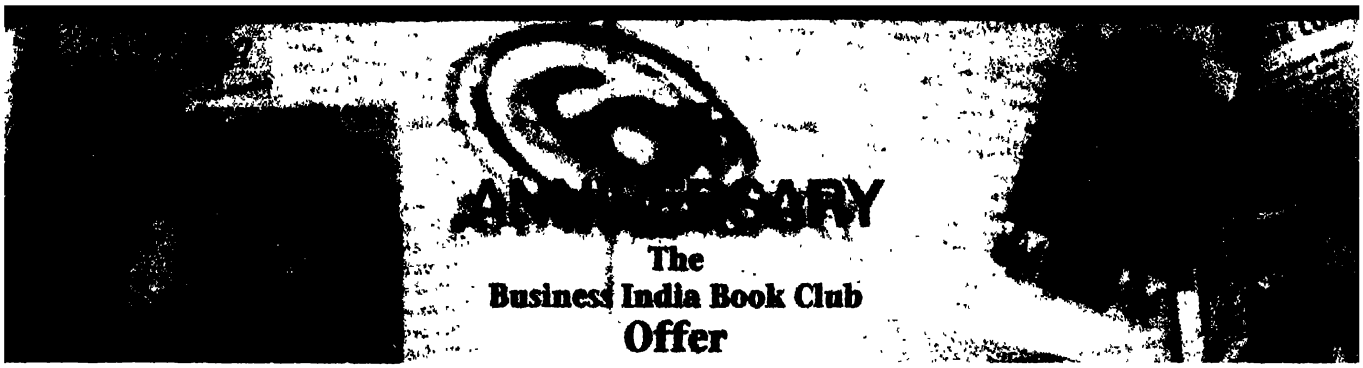


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Hate on the Net... Ant attacks... Movie rating

Who's entitled to hate on the Internet? The establishment says it should be HateWatch, which bills itself as an online organisation tracking intolerance. The sites it lists include the Aryan Dating Page and the Nation of Islam. It also includes anti-gay site American Guardian, set up by Don Ellis. And it is the latter who is making waves now.

Bugged at being labelled intolerant by HateWatch, Ellis has set up Hatewatch of America. This can be accessed at hatewatch.com or hatewatch.net instead of the hatewatch.org of the original site. Both the sites also look the same, at least on the opening page.

The lists, of course, have different entries. Hatewatch of America includes Disney (which is termed anti-children for publishing a book called Growing Up Gay through its subsidiary, Hyperion, and for hosting "gay days" at Disneyland). The original Hatewatch page merits an entry because it is "anti-Christian".

David Goldman, founder of HateWatch, is planning to take his misrepresenting clone to court. But experts feel that Ellis may win the day because his site is operational.

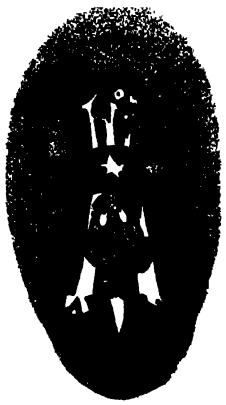
The problem with Goldman is that he did not cover his bases in time. Take, on the other hand, the National Association for the Advancement of Colored People (NAACP). It not only owns nigger.com but also several other domains with variations of the word. The objective: to prevent hate groups from getting access to them.

Some companies have also been taking precautions. Chase Manhattan Bank, for example, owns the .com domains Ihatechase, Chase-stinks, and Chasesucks. Charles Schwab & Co owns, among other domains, screwschwab.com and schwabsucks.com.

Pity the poor people who are waking up find that their own com pany names, worth big bucks in many cases, serve as domains to serve porn and the like.

Soldier ants, the sort that destroy everything in their path have been the stuff of exotic flora and fauna tales and horror movies. Now, it seems, ants of a different breed (but similarly destructive) have invaded the US.

The 21 September 1999 issue of *Annals of Internal Medicine* has two case studies of fire ant attacks in two Mississippi nursing homes. Two elderly patients were found covered with ants, with ant trails leading from the floor to their beds. One died five days after the attack, the other 13 months later. Both facilities had been treated by pest control services in the previous days.

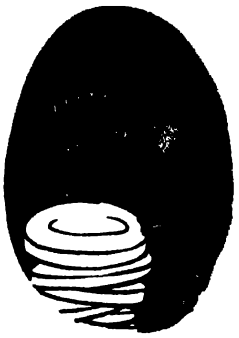


Fire ants arrived in the US about 60 years ago and have spread across the Southeastern US and Puerto Rico. They have consumed most of the native black ant population in the Southeast and have recently been spotted in some Western states.

These ants attack people if their mounds are disturbed. They have also attacked animals if regular sources of food dry out. But they have now taken to human beings who cannot defend themselves. Horror is moving nearer home.

Predicting whether a movie will be a success or a bomb at the box office has always been a very difficult job. Now, a new mathematical model claims that it can do the job for you. This has been reported in a study in a journal of the Institute for Operations Research and the Management Sciences.

"By computing information available to a studio like star quality, past performance of similar films, and the number of screens that will debut a particular film, you can make a reasonably accurate forecast of how a film will perform," says Ramya Neelamegham,



currently with the University of Colorado, Boulder. "The advantage of this type of forecasting is that as sales figures come in, the model can do more accurate updates at each stage to help plan better." The study, co-authored by Pradeep Chintagunta of the University of Chicago, uses operations research techniques to reach its conclusions.

The authors forecast the expected number of viewers in a given week by examining information like number of screens, distribution strategy, the film's genre, the presence or absence of stars, reviews and word of mouth about the film. The authors developed their model by studying domestic box office receipts reported in Variety magazine for 35 films in the years 1994-96. They also examined overseas box office receipts for the 13 countries that account for approximately 80 per cent of international receipts.

Factoring additional information that is proprietary and was unavailable to the authors -- such as advertising, production budgets, and release schedules -- would improve the model's performance, say the authors.

Border "conflicts" don't happen in the subcontinent alone. Here's a report from MSNBC: "The United States and Canada recently squared off aggressively over a dispute about rights to the popular walleye fish that roam rivers and lakes near the Manitoba-Minnesota border. Canada bars US anglers from its side of the lakes unless they stay at Canadian resorts; president Clinton says that this policy violates the North American Free Trade Agreement. Minnesotans on a US peninsula attached to Manitoba have threatened to secede and join Canada in order to get better



access to walleyes, but in retaliation, Minnesota Governor Jesse Ventura threatened to block the Canadian National railroad, whose track makes a short dip into Minnesota to get around one of the lakes." •

BUSINESS INDIA INDEX

Net disbursements of loans to India by the World Bank and International Development Agency since 1994, in million dollars: **2,636**
Total interest and other charges on past loans that India has had to pay to the World Bank and International Development Agency since 1994, in million dollars: **4,793**



Amount out of a household's average expenditure of Rs680 on education in rural India that is spent on the boy child, in rupees: **450**
Amount out of a household's average expenditure of Rs680 on education in rural India that is spent on the girl child, in rupees: **230**

Percentage of persons in rural Maharashtra below the poverty line: **38**
Percentage of persons in urban Maharashtra below the poverty line: **33**
Number out of every three persons in urban Maharashtra that earn a mere Rs10 a day: **1**

Average time it takes for a person to commute to his/her workplace in Mumbai and New Delhi, in minutes: **33 & 44**
Average time it takes for a person to commute to his/her workplace in Chennai and Bangalore, in minutes: **22 & 18**

Rank of Kerala, Andhra Pradesh, Tamil Nadu, and Gujarat among 14 major Indian states in terms of incidence of diabetes measured as major morbidity per lakh population: **1,2,3&4**
Rank of Orissa, Haryana, and Rajasthan among 14 major Indian states in terms of incidence of diabetes measured as major morbidity per lakh population: **12,13&14**

Number of hi-tech companies with a combined 1998 sales of $3,588 billion in Silicon Valley that are owned by Indians: **774**



Chances that new Internet-related start-ups in Silicon Valley are by Indians: **40 in 100**

Ratio of women admitted in Mumbai's hospitals that are victims of domestic violence: **1:2**
Proportion of these women that are in the age group 15–39 years: **80**



Estimated percentage of American and Saudi Arabian women who are obese: **25 & 24**
Estimated percentage of English and Canadian women who are obese: **17 & 15**

Estimated proportion of Russian economy that is controlled by the crime syndicates, in per cent: **40**
Chances that Russia's banks are controlled by the crime syndicates: **1 in 2**



Average number of hours every week that men worldwide spend doing household chores: **10**
Average number of hours every week that women worldwide spend doing household chores: **$17^1/_2$**



Estimated number of civilians killed by their own governments worldwide throughout the 20th century, in million: **170**
Estimated number of persons killed worldwide in international and civil wars throughout the 20th century, in million: **37**

Chances that Americans chose 'toilet paper' as the most essential item if stranded on a deserted island: **49 in 100**
Chances that Americans chose 'food' as the most essential item if stranded on a deserted island: **31 in 100**



Percentage change in the size of flush tanks to be installed in American homes since 1994 in order to save water: **-50**
Proportion of an average household's water consumption that is swallowed up by toilets, in per cent: **45**

Money charged by Chicago-based company Identigene for checking DNA to find out a child's real father, in dollars: **475**
Money charged by Identigene for identifying whether a stain on a women's dress is semen or not, in dollars: **250**
Money charged by Identigene for finding whose semen is it, in dollars: **900**

• *Compiled by* ANOOP BABANI

SOURCES: 1&2 World Development Report 1999, World Bank, Washington 3&4 India Human Development Report 1999, National Council of Applied Economic Research, New Delhi 5,6&7 Planning Commission figures revealed in Rajya Sabha, New Delhi 8&9 World Development Indicators, World Bank, Washington 10&11 India Human Development Report 1999, NCAER, New Delhi 12&13 *The Wall Street Journal*, Washington, and *BusinessWorld*, Mumbai 14&15 Study by Dr Ashok Desai, Shireen Jejeebhoy, and Shanta Rajgopal, Mumbai 16&17 International Obesity Task Force, *Forbes* magazine, New York 18&19 *The Economist*, London 20&21 *The Independent*, London 22&23 'Statistics of Democide' by Rudy J. Rummel and *The Economist*, London 24&25 Survey by US paper giant Kimberly-Clark Corp, New York 26&27 AFP news report, Washington

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Log into the *desi* portal

For those who do not know how to read Internet's predominant language, English, here is a reason to be happy. At the recent India Internet World 99, Suvi Information Systems Ltd launched **www.webdunia.com**, a portal site in Hindi. The site was inaugurated by former prime minister I.K. Gujral. Surfers can choose from a variety of subjects including art and culture, news, sports, cuisine, astrology and horoscope, humour and jokes, tourism, health, beauty and so on. They can also avail of facilities like forecasts, travel tips, airline and hotel bookings, etc. Evarta and Epatra are interesting features of the website, wherein a person can send e-mail messages and engage in online chats in Hindi and several Indian languages such as Marathi, Gujarati, Malayalam and Punjabi. "Soon you will be able to chat in many other Indian languages," the site informs.

A treat for Indophiles

It has been a long haul for **www.indiainfo.com**. From a personal Web page called mahesh.com offering information on immigration laws and overseas call rates, portal promoter B.G. Mahesh has made indiainfo.com a significant player among the growing Indian Internet segment. The portal aims at presenting itself as the complete India portal, not just in relation to information but also as a one-stop shop for knickknacks that are uniquely Indian. The site has the usual mix — business, news, jobs and careers, food and recipes, law, movies, sports, travel, e-mail and the works. Apart from continually updated news, eminent columnists like Arun Shourie, M.V Kamath and Cho Ramaswamy attract lots of attention as do sections on fashion, yoga and *vaastu*. Termed as a one-stop shop for everything on India and boasting 15,000 links, the website targets Indian Internet users around the globe as well as anyone interested in India. According to the promoters, the site attracts a page view of two million a month and they are confident of driving an annual ad revenue of Rs15 crore by December 2000. Worth a visit.

JK Pharma on the Net

J.K. Drugs and Pharmaceuticals, a JK Group company, has made its presence felt on the Net. Last month, it set up its own website **www.jkpharma.com**, listing the products it makes, the technology it has adopted, its domestic and international operations, major markets and people. For instance, the site informs us that the company incorporates state-of-the-art facilities manned by over 40 doctorate-holders/post graduates who were responsible for developing technologies for over 15 APIs and 60 finished dosage forms. The company has received process patents for six APIs in India and abroad. The company has expanded its business geographically across the globe. It has also entered into long-term supply agreements for both active pharmaceutical ingredients and finished dosage forms with leading international companies based in Israel and Bulgaria. With markets in more than 30 countries including China, Vietnam, Korea, Portugal, Spain, Brazil, Argentina and Uganda, the company generates more than a third of its sales of active pharmaceutical ingredients and finished dosage forms outside India.

WebWatch

Indians slow on e-comm front

A recent survey by the Confederation of Indian Industry (CII) has revealed that although most Indian chief executives expect e-commerce to be a winner in the coming millennium, a majority of Indian companies have not made any significant move towards incorporating this in their overall corporate strategy. The CII survey, which covered 318 chief information officers representing 4,000 top companies, found only 20 per cent of the companies were using e-commerce to some extent and that only a mere one-sixth of corporate executives were actively involved in the process. On the other hand, four out of every five respondents said they "haven't looked" or they "will look soon" into the potential of e-commerce for their corporates. According to the CII survey, in the next two years, 10 per cent of the turnover of top 4,000 companies as e-commerce transactions in the business-to-business section could translate into Rs50,000 crore whereas in the business-to-consumer segment, even if 14 million households make purchases worth Rs1,000 a month on the Net, it means Rs16,800 crore.

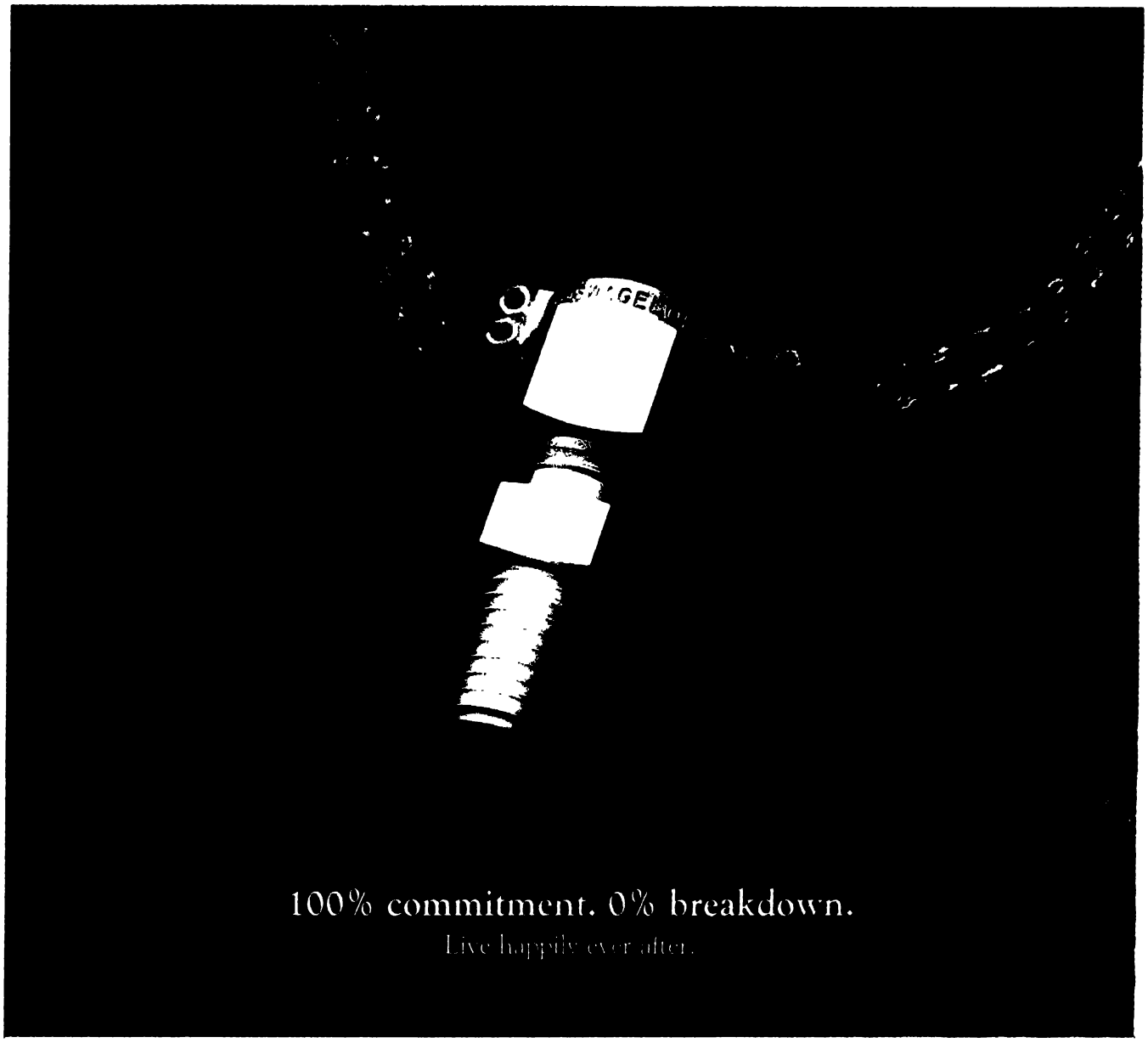
DoT fee may hit Net trading

A decision by the department of telecommunications (DoT) to levy an annual fee of Rs15 lakh on a 64 kpbs line to connect closed-user groups may retard the growth of Internet-based stock trading in the country, according to industry insiders. As per the format, a broker has to telecast live stock quotes to the clients from one network and then take the buy/sell orders which involves the trading network. Under the current telecom policies, a broker cannot connect the two networks without paying the hefty fees. Meanwhile, a Sebi committee is looking at formulating the guidelines for Net trading.

Case study

Last week, when venture capitalist Draper International picked up a 51 per cent stake in an Indian legal website **www.lexsite.com** for an undisclosed amount, it was one more Indian site which had won over the venture fund*wallahs*. A well-designed site, it carries extensive information on the legal scene in India and specialises on direct taxation and foreign exchange laws, besides giving law-related news, columns by noted experts and archives among others. Lexsite currently hosts 300,000 pages, 34,243 cases, 873 circulars, 179 forms and 67 tax treaties. LexSite.com Ltd is a public company formed in June 1999 with an investment from Draper International and the Small Industries Development Bank of India. With the latest infusion of funds, the site aims to create content, community and services on the Web for legal and accounting professionals and targets to become a one-top shop for legal information. The site certainly seems to have a potential for this.

• COMPILED BY ANOOP BABANI



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Another cookie crumbles

Business India (2 December 1996) had reported how middle-class investors saw their money vanish as Chennai's unincorporated finance companies started closing down. Now, two leading nidhi firms are facing serious repayment problems

First, the unincorporated finance companies collapsed. Then the plantation firms. Now it seems to be the turn of *nidhi* companies. (*Nidhi* is classified as a mutual benefit financial company under Residuary Non-banking Companies (Reserve Bank) Directions, 1987.)

The trouble began recently when the Alwarpet Benefit Fund (ABF), a major player, failed to honour the repayment of matured deposits. Many investors refused to believe that a reputed *nidhi* player could let them down. Others flocked to the police with complaints against the *nidhi* authorities.

Close on the heels of the ABF fiasco came the crisis at the Royapettah Benefit Fund (RBF), which appealed to its investors through newspaper advertisements to accept the rescheduling of its repayment obligations. Over 1.5 lakh depositors, who have put as much as Rs405 crore in RBF, are in a dilemma — should they approach the authorities, which may precipitate the crisis, or trust the management which is offering to repay as per a new repayment schedule? The Chamber of Nidhis, an association of *nidhi* players, has appealed to the depositors not to precipitate the crisis.

RBF has offered to repay 10 per cent of the maturity value of matured deposits and the balance over the next three years in instalments of 15, 15 and 60 per cent at the end of the first, second and third year, respectively. For recurring deposits, it has offered 50 per cent of the maturity value on maturity; the balance would be converted into a fixed deposit and repaid after three years.

According to industry sources, the cause for RBF's problems lies in the mismatch between deposits and disbursements, leading to serious liquidity problems. The *nidhi* apparently collected short-term deposits and lent it as long-term loans.

• MOHAN RAMAMOORTHY

Firm on the growth track

Our 14 June 1999 issue carried a story on Alfa Laval's turnaround. Having bagged new orders, the company continues to surge ahead

After making losses in the previous two years, Alfa Laval turned around last year (1998-99) with a net profit of around Rs8 crore on a turnover of Rs183 crore. Now, there is more good news. The company has bagged a huge order from the makers of Horlicks. "We have got an order worth Rs85 crore from Horlicks to set up a complete plant on a turnkey basis. The plant will produce around 80 tonnes of the Horlicks health drink per day," says Alfa Laval MD Satish Tandon. Once this order is completed, Horlicks plans two more similar plants in a phased manner and the contracts, worth Rs85 crore each, could go to Alfa Laval.

"We are negotiating two more contracts, each worth Rs30-35, crore," says Tandon. If these come through, then by January 2000, Alfa Laval will have an order book position of Rs300 crore plus. In the six months ending 30 September 1999, Alfa Laval has clocked a turnover of Rs92 crore and net profit of Rs8 crore. "We hope to end this fiscal with a Rs18-crore turnover and a Rs17-18-crore net. We have sold our liquid food processing division to Tetra Pak (India), which will give us a capital gain of Rs4 crore. So, the total net profits this year should zoom to Rs22 crore," says Tandon.

Next year, Tandon expects turnover to cross Rs230 crore, while net profit will rise to about Rs30 crore. On the exports front too there is good news as some product lines made by the parent, Alfa Laval (Sweden), will be shifted to Alfa Laval (India), which will be the global source for these products. "We will invest Rs9-10 crore over the next two years in plant and machinery to make much bigger separators, which will be directly shipped from Alfa Laval India to our group's marketing offices in countries like Singapore, Malaysia and Japan. So, our exports will more than double to Rs45 crore by the year 2002," says Tandon.



PRAKESH JADHAV

Tandon is bullish on the future

•ROOP KARNANI

Power-packed



Gipco stands to gain from the revised guidelines

For the year ended March 1999 Gujarat Industries Power Company (Gipco) has recorded a 150 per cent jump in sales to Rs418 crore. Net profit zoomed 81 per cent to Rs55.27 crore. The reasons: the commissioning of the 160MW power plant at Baroda combined by the improved plant load factor (PLF) of 89.09 per cent.

Gipco is promoted by the state electricity board and GSFC, GNFC, GACL, and the Gujarat Petrofils Co-operative. Till last year it operated a 145MW gas-based power plant which, in the first quarter of 1998, reported a PLF of 101 per cent. Subsequently, under revised government guidelines, the company decided to increase its generating capacity by setting up a 160MW naphtha-based unit. The government had assured the new independent power producers (IPPS) of 16 per cent post-tax returns plus an incentive for higher PLF. "Gipco's new Baroda plant which has gone onstream falls in this category. Hence the company stands to gain. Besides this, during the current year another 250mw lignite plant at Mangrol near Surat is expected to be fully operational. On commissioning of the new plants, both of which qualify as IPPS, Gipco would derive about 79 per cent of its revenues under the revised guidelines," says an analyst with kbs capital management. The 250MW project will take Gipco's total power generating capacity to 555MW.

"Since the new Baroda plant will use naphtha as the feedstock, the PLF will be high — and that directly translates into a higher returns. The post-tax returns could be as high as 22.6 per cent, linked with a higher PLF of 80 per cent under the new scheme," estimates the analyst.

Efficient fuel linkages are a crucial factor in determining the success of a generating unit. Interestingly, unlike other thermal plants in the country, Gipco has opted to go in for captive lignite mines. For its 250MW project the company has already secured the mining rights over 1,600 acres of land. "The lignite reserves are estimated to be sufficient to support a 750MW power plant for the next 25 years," the analyst adds.

In February 1998, when Business India *visited Gujarat Industries Power Company, the company had to defer its GDR plan. We then predicted that, as the plan took shape, the company was sure to bounce back. The journey has just begun.*

Ready to rise

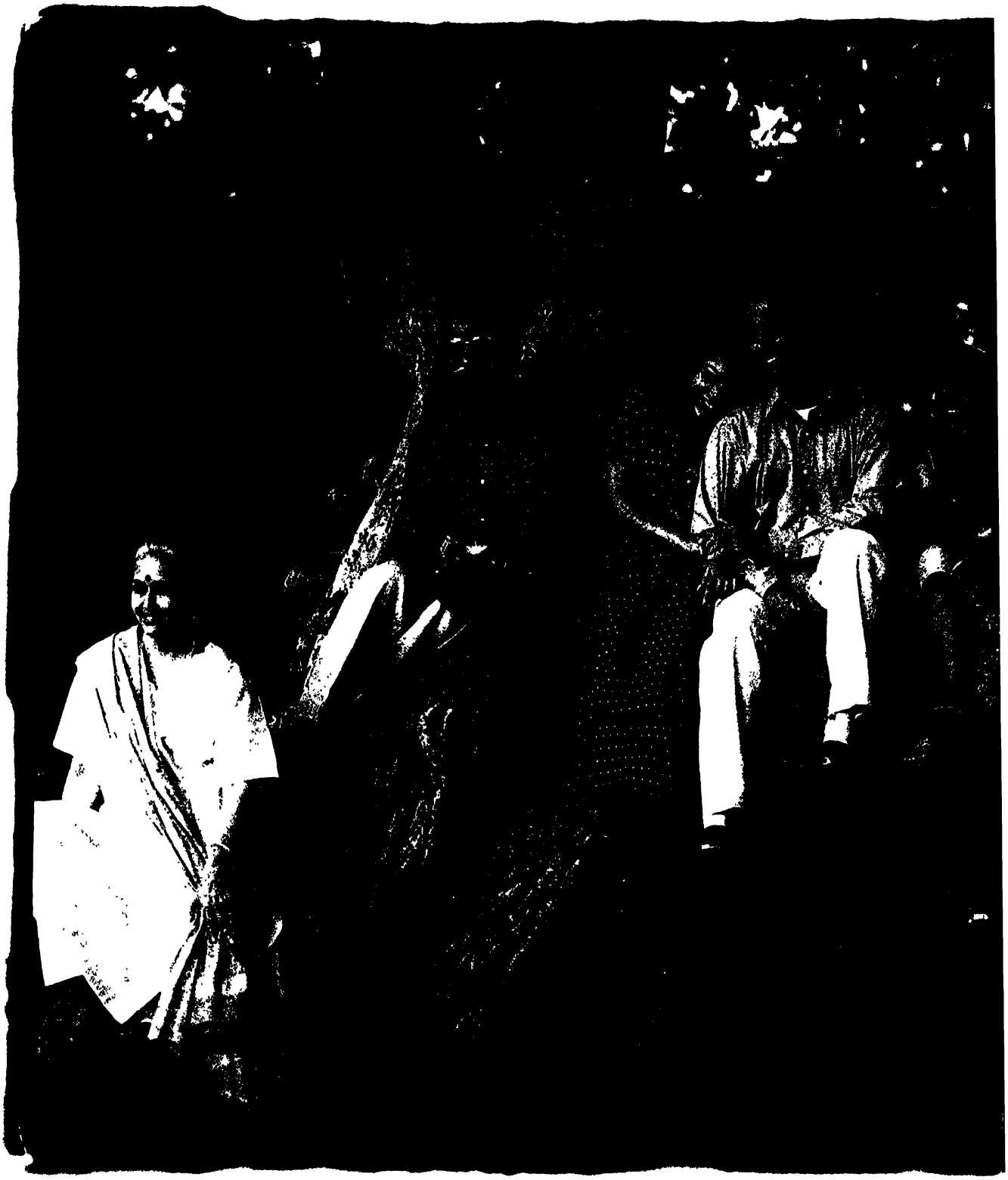
In the year ended March 1999 Unichem's sales grew by 16.29 per cent to Rs187.29 crore, a few notches below its Rs200-crore target. Its profit margin at the operating level declined marginally by 0.07 per centage points to 12.81 per cent and financial charges moved up Rs1.28 crore to Rs7.27 crore. Company secretary K. Subharaman explains: "The decline in our margin owes to the rise in cost of raw materials and selling expenses. This increase is attributed to the fact that we introduced seven new products. On the interest front the burden was primarily on account of high-cost loans which have been now replaced by lower-cost debt."

As a result, for the first quarter of the current year, interest costs are down by Rs25 lakh to Rs1.61 crore. "The second, third, and fourth quarters will witness further drop in interest charges. For the full year Unichem will pay Rs6 crore, Rs1.27 crore less than in 1998–99," says Subharaman. Sales during the first quarter are up by Rs1.33 crore to Rs5.34 crore. Can Unichem sustain this pace?

The markets seem upbeat on this counter. The stock, quoted at Rs165 when *Business India* reviewed the company, today changes hands at around Rs418. But the million dollar question is whether the markets are expecting better results for the year ending March 2000 or a bonus. Against an equity base of Rs4.26 crore, the reserves and surplus stands at Rs56.88 crore.

› KRISHNA KUMAR C N

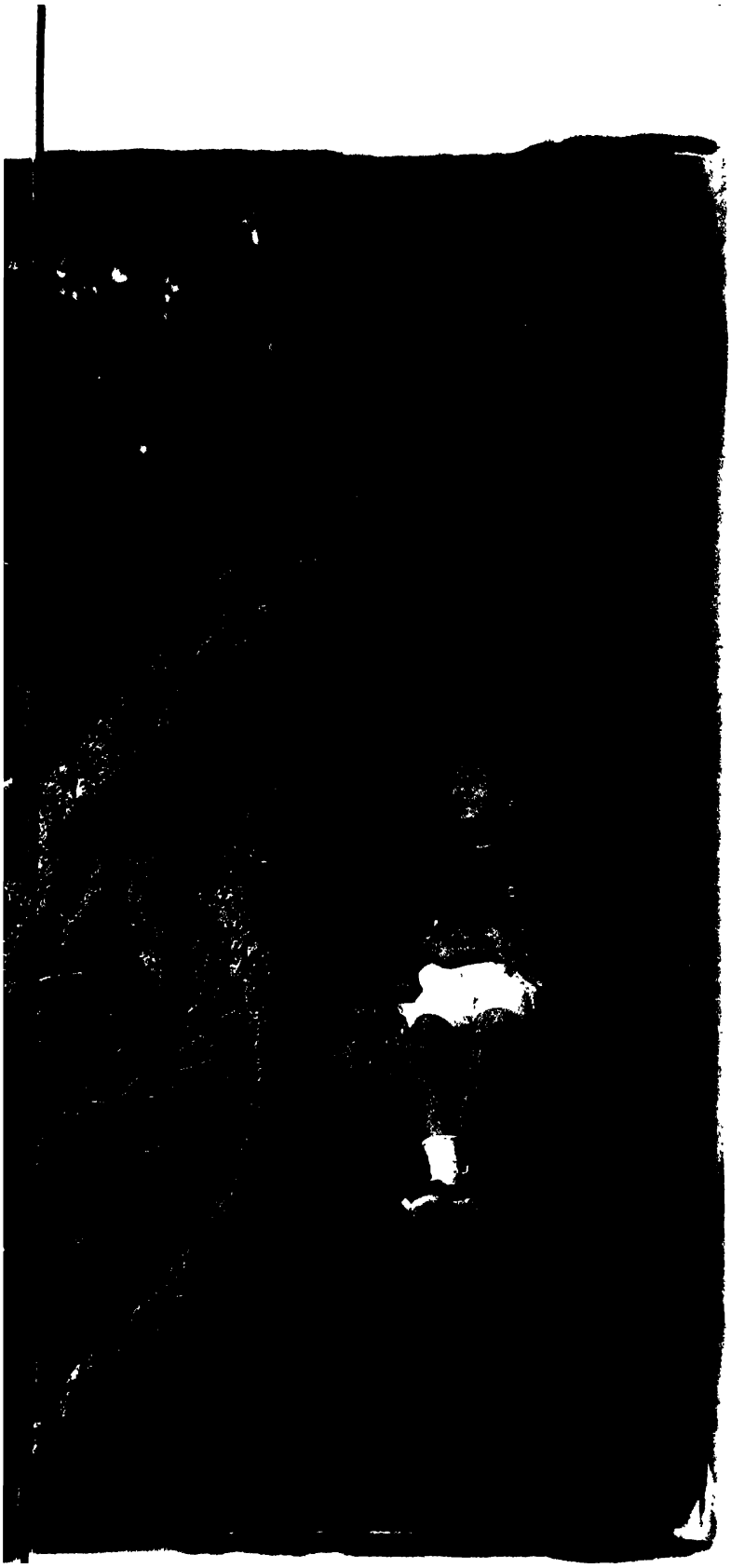
In February 1998 we reported that Unichem Laboratories was poised to cross Rs200 crore. It did not. Now, new product launches is going to be its mantra



Celebrate a Family (From left to right) Dadima Mrs. Padma Varma, Dadaji Retd. Colonel Prakash Varma, Bahu Mallika, Beta Rajan, Poti Sneha, Pota Santosh (Sunny)

For them, life is all about deep-rooted values. They are

Menswear | Womenswear | Kidswear | Cosmetics & Fragrances | Jewellery | Homeware |



Calcutta, Chennai Hyderabad,
Mumbai, Nagpur, Pune,
Secunderabad Thane

While they enjoy their weekend, we'll quietly introduce them to you Dadaji is the undisputed head of the family But once in a while, he reports to Dadima Beta Rajan, being the younger son is pampered by Dadima even now (Bada beta Akash has settled in the US with his family) Bahu Mallika however, is not the pampering kind She sees to it that no one in the family goes off the rail (Something Rajan loves her for Even though he is the one usually at the receiving end!) Poti Sneha has her eyes on the Miss Universe crown (The living room floor often serves as a ramp) Monster Sunny rarely loses an opportunity to play a prank on someone They are all different as persons, but one in love, respect and understanding Because for the Pantaloons Family, as it is for yours, life is all about lasting values Values that never go out of style

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Where India shops for value

BSE plans tie-up with LSE

The Bombay Stock Exchange seems to be taking the 'go global' *mantra* really seriously. The exchange will soon enter into a Memorandum of Co-operation (MoC) with the London Stock Exchange (LSE). According to BSE president Anand Rathi, the move is a part of the 'Mission 2000' project aimed at making BSE an international exchange. The development is an outcome of Rathi's recent visit to London and his meeting with LSE chairman John Kemp-Welch and other officials of that exchange. The MoC is designed to facilitate exchange of ideas and information between the two exchanges. The BSE also plans to enter into similar agreements with the New York Stock Exchange and Nasdaq.

Godrej Soaps sells stake in Sara Lee

Godrej Soaps Ltd is selling part of its 48 per cent stake in joint venture company Godrej Sara Lee Ltd to holding company Godrej & Boyce Mfg Co Ltd. The Rs918-crore company will sell 22.5 per cent of its holding in the joint venture for Rs99.47 crore. Godrej Soaps' stake in the company will come down to 25.5 per cent after the sale. Sara Lee has 51 per cent stake in Godrej Sara Lee. The sale is intended to help Godrej Soaps retire high-cost debt and cut interest burden. Godrej Sara Lee is a leading household insecticides manufacturer in the country with well-known brands like Good Knight and Jet. Another Godrej group company, Godrej Foods, had earlier announced the sale of its 29 per cent stake in Godrej Pillsbury Ltd to Godrej & Boyce for Rs31.13 crore.

Rs800-crore Indal expansion

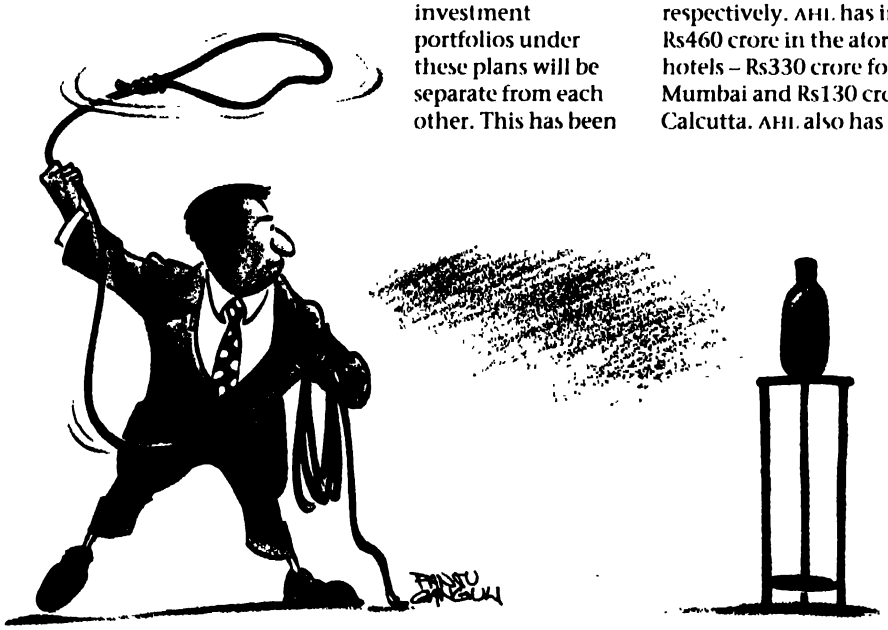
While some may sell their way to raise funds, there are others who still believe that spending more is the best way to earn more. Aluminium major Indal, for example, has drawn up a major expansion plan. The company will invest Rs800 crore in its existing operations to increase its alumina production capacity and to set up a new captive power plant. Indal aims to hike the alumina capacity at its Belgaum plant from 3.18 lakh tonnes per annum (tpa) to 5.1 lakh tpa at an investment of Rs400 crore. The capacity at the company's Muri plant will also be increased from 1 lakh tpa to 2.5-3 lakh tpa. Indal also plans to set up a captive power plant at Hirakud, Orissa.

Hindustan Lever eyes Cococare

And there are others who buy their way to growth. Hindustan Lever Ltd (HLL) is said to eyeing Cococare, the coconut oil brand of the Mumbai-based Recon Oil Industries Ltd. The acquisition will help HLL double its market share in the coconut oil segment, where it currently has a presence through its Nihar brand. Cococare has an 8.5 per cent market share in the 3,750-tonne coconut oil market, while Nihar has a 4.7 per cent share. But this is far behind the 42 per cent share enjoyed by Parachute, the market leader from the stable of Marico Industries. If HLL does clinch the deal, then it will bring the FMCG giant a few steps closer to Parachute.

Birla MF launches gilt fund

Birla Mutual Fund has launched an open ended gilt fund – Birla Gilt Plus. The aim of this plan is to generate income and capital appreciation through investments only in government securities. The fund opened for initial subscription from 23 September. Birla Gilt Plus offers three options – a liquid plan, an investment plan and a long term plan. The investment portfolios under these plans will be separate from each other. This has been done keeping in view the differences in the maturities of each of these plans. Thus the NAVs of each plan will also be separate. While the liquid plan is meant for investors looking for ways to invest in surplus funds for a short period the investment plan has been structured for investors looking for ways to invest surplus funds for the medium term. The long term plan is suitable for non-government provident funds and superannuation funds.



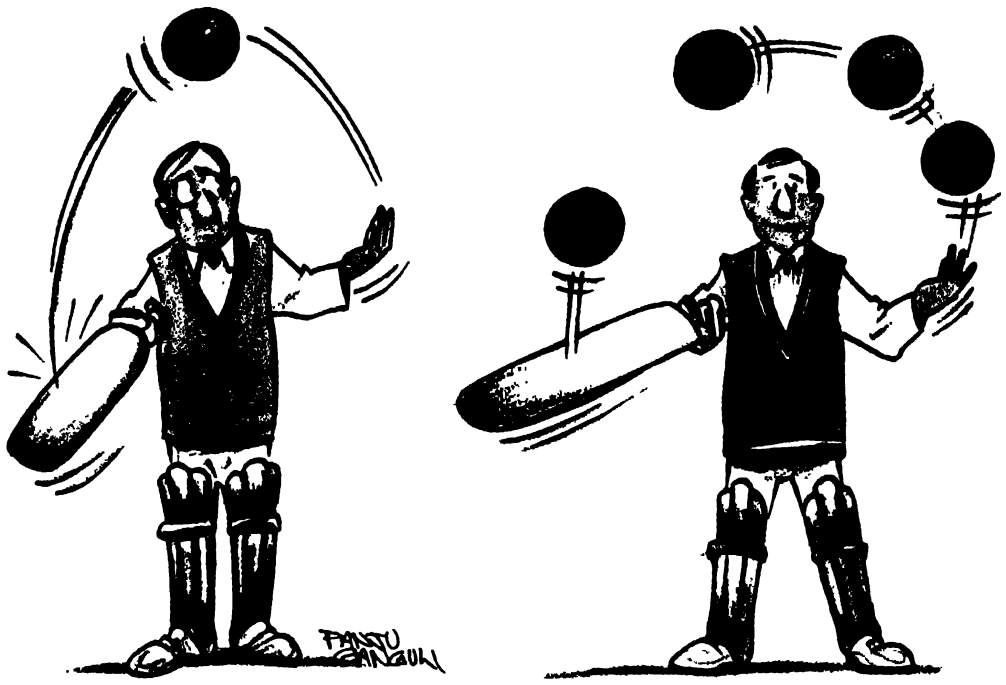
Asian Hotels has room for more

The promoters of the Hyatt Regency hotels in India, Asian Hotels Ltd (AHL), clearly feel there is room for more. They plan to set up two five-star deluxe hotels in Chennai and Bangalore. What is more, two hotels are already under construction in Mumbai and Calcutta. AHL feels that the hospitality industry is very much on the rise down south. These hotels are meant to target the business traveller. They will be funded through internal accruals and there will be no public issues nor will AHL take any loans for the purpose. The hotels coming up in Mumbai and Calcutta will have 450 and 250 rooms respectively. AHL has invested Rs460 crore in the aforesaid hotels – Rs330 crore for Mumbai and Rs130 crore for Calcutta. AHL also has a subsidiary, Regency Convention Centre and Hotels Ltd. With these four hotels AHL will be transformed into a hotel chain from a one-property hotel currently.

Short-circuit

The news is electrifying, to say the least. The joint venture between the LM Thapar group and US power utility major El

Passo has fallen apart. The two were partners in a bid for the 600 MW Bawana Phase II power project in Delhi. It was the former which broke off the alliance with the latter. Differences over equity stake are said to have led to the break-off. The Thapar flagship Ballarpur Industries Ltd was not happy to be a minority partner in the venture and was keen to make it an equal partnership venture. El Passo had become the partner in the venture by virtue of its taking over KLF which was the original foreign partner in the JV. Bilt held 35 per cent stake and El Passo the remaining 65 per cent in the joint venture. Of the six bidders, the JV had emerged as the lowest bidder for the Bawana Phase II project. Bilt had quoted the lowest tariff of Rs1.82 per unit. The Delhi government is expected to take its decision on awarding of the project by next month. Both phases of the Bawana project are being routed through the competitive bidding route with the final selection being made on the basis of power tariff as against capital costs.



ESPN-STAR bags cricket rights

There seems to be more action off the cricket fields than on them these days. ESPN-STAR sports (ESS) has acquired the telecast rights for all international cricket played in Australia, New Zealand, South Africa and Zimbabwe till the year 2004. This makes it one up on Doordarshan, which recently bagged the rights for all international cricket played in India during the same period. While DD had to shell out Rs230 crore to clinch the deal, ESS is believed to have paid up around Rs204 crore. The contract signed with event management group CSI International gets ESS telecast rights for 432 days of international cricket. This is in addition to the telecast rights it has already acquired for West Indies and English cricket for the next four years. With ESS and DD having grabbed the telecast rights for most of the cricket to be played in the next four years, other channels aspiring for a bite of the multi-million pie may have to wait for some more time.

Kannur Power cuts project cost

Nothing like trimming those figures if you have to get going. The 513 MW Kanur Power Project (KPP) has submitted a revised financial structure to the Kerala State Electricity Board (KSEB). According to the new plan, the project cost has been reduced by Rs104 crore to Rs1,471 crore. The revision of cost is on account of a reduction in the cost of civil works, insurance cost and other taxes and duties. Also, the cap of foreign equity has been lowered from the 89 per cent proposed earlier to 74 per cent, while foreign loans have been reduced to 60 per cent of the total debt as against the proposed 77 per cent. After US power major Enron walked out of the project, the promoters are said to be looking out for other foreign partners to step in. Promoted by K.P.P. Nambiar, the project, which has been hanging fire for the past two years, is likely to get techno-economic clearance from the Central Electricity Authority soon.

FDI for Kochi airport

More on investment in God's own country. The Centre has granted a foreign company permission to invest in the equity capital of the firm that will run the Cochin International Airport. The foreign firm will also be allowed to manage the duty-free shops in the airport premises. The trend so far has been to allot duty-free shops to the Indian Tourism Development Corporation (ITDC). The Cochin International Airport will be run by a 50:50 joint venture between Sharjah-based NRI A.S. Lal and Alpha Airport Holding BV of the Netherlands. Initially, the Dutch firm will pick up a 4 per cent stake of about Rs3 crore in Cochin International Airport's fresh equity. The commerce and civil aviation ministries' decision to allow the Dutch firm's participation is a significant development as it is the first time foreign direct investment has been allowed in a domestic airport project.

UTI's venture equity fund

The Unit Trust of India (UTI) plans to float a $65-million private equity fund to invest in venture capital opportunities in the pharma and IT sectors in India and overseas. UTI executive director Basudeb Sen said the company had applied to the regulators to float the fund which would raise $40 million of its corpus from overseas investors and the remaining $25 million from domestic institutional investors. The fund, called India Technology Venture Unit Scheme, will invest 25 per cent of the overseas contribution in companies in the domestic market, while the balance amount will be invested in various ventures of Indian companies operating abroad. The fund is being floated in a tie-up with Intec Venture Group (IVG), a group company of India Technology Ventures. While IVG will be the advisor to the

fund, UTI will assume the role of an investment manager.

New India net profit slips

The New India Assurance Co Ltd (NIA) has posted a net profit of Rs375 crore for the 1998-99 financial year. This is a 20 per cent drop from the Rs470.94 crore reported in the previous year. The company has attributed the losses to the extraordinary losses caused by the Kandla cyclone, which wreaked havoc on the industrial area of Gujarat. These translated into almost a Rs100-crore loss for NIA and a higher provisioning of Rs40 crore towards non-performing assets. This compares with the Rs11-crore provisioning towards non-performing assets last year. The company has gross non-performing assets of 9 per cent in its corporate portfolio. During the 1998-99 financial year, net premium grew 12.43 per cent to Rs2,186.92 crore, and gross premium 12.15 per cent to Rs2,729 crore. All classes of business, including fire, motor and miscellaneous recorded a growth, while marine premium fell marginally from Rs312.64 crore last year.

Orchid considers pvt placement

Orchid Chemicals and Pharmaceuticals Ltd plans to privately place 1.07 crore equity shares of Rs10 each with a premium aggregating Rs175 crore to investment funds belonging to the Schroder Ventures Group. About 70 per cent of the funds thus raised would be used for setting up two new production facilities, while 10 per cent would be earmarked for R&D. Of the remaining funds, 5 per cent will go into launching new cephalosporin products and 15 per cent would be used to meet working capital and normal capital expenditure. The company has called for an extraordinary general meeting in Chennai on 21 October to seek approval for the proposed private placement. Shareholders will also consider increasing the authorised share capital to Rs30 crore, an employee stock option involving 15 lakh options convertible to equity shares of Rs10 each as well as a proposed expansion of the company's board. The company plans to induct three officials from the Schroder funds onto its 11-member board.

Tisco plans NCD issue

The Tata Iron and Steel Company (Tisco) is said to be all set to hit the debt market with an issue of non-convertible debentures (NCDs), aggregating Rs150 crore. The NCDs will be offered on a book-building basis. The debentures will have an eight-year maturity and will carry a coupon of 12.5–12.7 per cent, payable annually. The debentures do not have a call or put option and wil be redeemed in three equal parts at the end of the sixth, seventh and eighth year from the date of allotment. The issue will be lead managed by Kotak Mahindra Capital Co and ABN Amro securities. The funds raised through the NCD issue are likely to be used to meet the company's enhanced working capital requirements.

Indocean Chase picks up Domino's stake

Indocean Chase Capital Advisors, an associate of US-based venture capital major Chase Capital Partners, is picking up a 26 per cent stake in Domino's Pizza India Ltd, a franchisee of the $3.2-billion US pizza giant Domino's Pizza Inc. The Delhi -based Bhartiyas of Vam Organics own the Indian franchise. The $8-million investment will enable an expansion drive at Domino's India. The 26 per cent stake could go up conditionally to 32 per cent, depending on the company's performance after the investment. The pizza chain is on an aggressive growth track. Worldwide Domino's has an extensive network of 1,700 franchisees. Domino's Pizza Inc, however, has no stake in the Indian franchisee.



MTNL sees fall in demand

For the second consecutive year, Mahanagar Telephone Nigam Ltd (MTNL) has witnessed a drop in demand for new telephone connections. In the capital, average registrations for new connections dropped to around 11,000 per month in the first five months of 1999. During 1996-98, the demand for new connections was between 13,500 and 15,500 per month. In Mumbai, the demand has dropped from 15,000 -20,000 a month last year to 10,000 -15,000 this year. According to MTNL chairman and managing director S. Rajagopalan, the slowdown in demand reflected the sluggish economic growth in the last few months. Rapid network growth between 1995-99 has also led to zero-waiting lists in the two metros, which could have contributed to the fall in demand. Meanwhile, MTNL is working on various strategies to kick-start demand.

NSE to set up infotech firm

The board of directors of the National Stock Exchange has decided to set up an independent information technology company. The separate company status is expected to provide a platform for taking up more challenging assignments both within and outside the country. The initiative is expected to infuse better management and harnessing of technology skills. The company will scout for strategic partners for its business endeavours and will make significant resource investments in niche product development and consultancy. The 150-strong IT staff of NSE will be transferred to the new company. •

Are taxes eating up your FD earnings?

Time you switched to Birla Income Plus.



[illegible] you invest in an income fund carrying an interest, you could end up paying a substantial portion of your returns as tax. [illegible] could be as high as 39% if you are an individual and 36.5% if you are a corporate. So if you assume an average return of 10% on your bank FD, your actual earnings could be as little as 6%.

Let's assume you invest in Birla Income Plus (BIP) instead. BIP dividends are tax free for investors (but the mutual fund pays a tax of 11%). That's a clear advantage of well over 20%.

Dividends for 1998-99 were 12% per annum.

That's not all. BIP also gives you 100% exemption from Capital Gains Tax (u/s 54EA and 54EB). And since it's a debt fund, investing in high quality bonds and debentures, you can rest assured that your money's safe.

Apart from tax benefits, returns and safety, BIP also offers a high level of liquidity. There is no lock-in period, so you can get your money back whenever you want.

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An Aditya Birla Group-Sun Life Venture. CONSTITUTION: Birla Mutual Fund (BMF) has been set up as a trust under the Indian Trust Act, 1882 **Sponsor:** Birla Global Finance Limited and Sun Life (India) AMC Investments Inc. (liability restricted to seed corpus of Rs. 1.00 lac.) **Trustee:** Birla Capital International Trustee Company Limited (incorporated under the Companies Act, 1956) **Investment Manager:** Birla Sun Life Asset Management Company Limited, Ahura Centre, Tower B, 2nd Floor, 96A D, Mahakali Caves Road, Andheri (E), Mumbai 400 093. Fax: 837 4949/5300 **RISK FACTORS:** Mutual Funds and Securities Investments are subject to the usual risks associated with capital and money market instruments There can be no assurance that the funds objectives will be achieved. As with any investment in securities, the NAV of the units issued under the schemes can go up or down depending on the factors and forces affecting the securities markets. Past performance of BMF does not guarantee the future performance of the schemes of BMF and does not form a basis of comparison with other investments. Birla Income Plus is only the name of the scheme and do not in any manner indicate either the quality of the scheme, its future prospects or returns For details and risk factors read the offer document and refer to your tax advisor before investing **Scheme Objective:** BIP To generate consistent income, through superior yields on its investments, at moderate levels of risks through a diversified approach

With enterprise resource planning (ERP) being implemented by most companies, ERP vendors are trying to find ways of attracting more customers. For Baan Info Systems, the formation of its Baan Users Club is an added advantage for its users. "We have 80 customers today, and one customer does not know how the other implements our package; it is different for each customer," says Gopal Madnani, director-operations of Baan Info Systems India Pvt Ltd. "The Baan Users Club is a step ahead to share the implementation knowledge among all the customers and to increase the usage of the Baan product," he adds. At present, ERP penetration is about 11 per cent in the country. Though the scale of the market is not large at present, the growth rate is quite high. And it is this potential that the company is tapping. Baan is also looking at introducing Baan FrontOffice, an extended ERP solution which can be sold as a stand-alone product, in the country. •

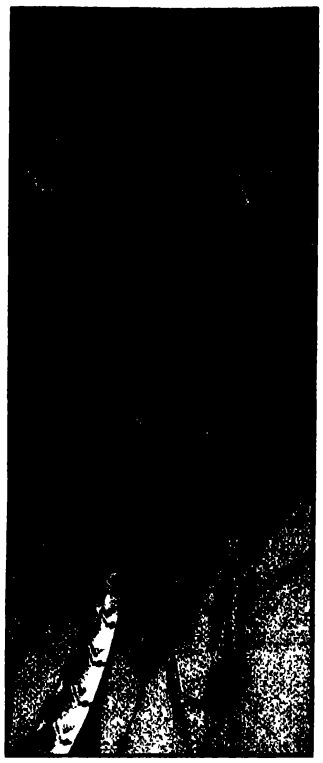


With the launch of Ju's Fresh juice vended through kiosk and mobile vans, the country's commercial capital has witnessed a new concept in fresh fruit juice marketing. "The kiosk, known as Orange Boy, and the mobile van are both equipped with juice-making machines imported from the US. The automatic juice maker is a transparent, easy-to-operate machine which takes three seconds for the entire process of peeling, crushing and extracting the juice from the fruit. All this without the touch of the human hand. Hence, the product is aimed at the health- and hygiene-conscious," says Rachna Kapoor, managing director of National Food Products. The branded fresh juice is available for Rs20 per 250 ml glass which is served in both sealed as well as non-sealed glasses. Adds Kapoor, "We will soon be launching the 'dial- a-dozen' scheme whereby any consumer who places an order for over 12 glasses of the orange juice would get free home delivery in any part of Mumbai." •





The Rs300-crore CMS computers has joined the club of technology companies whose research & development facilities have been accorded recognition by the Government of India. Says R. D. Grover, chairman and managing director of CMS computers, "Our R&D is fully market-oriented. We design, produce and market products of current technology. Unlike in the yesteryears, R&D today has to be current and user-driven. There is no time for any trial and error. Now, R&D demands special skills which we have acquired over the years and the government's recognition is encouraging." As a company, CMS has logged an annualised growth rate in the range of 30-40 per cent, which is higher than the average growth rate of the organised IT sector. "In the next five years, with strategic focus on telecommunications, manufacturing, banking and services sector, we expect to triple our turnover and join the Rs1,000 crore-plus league," says Grover who currently puts back 3 per cent of the company's revenue into its three R&D centres. •



After cola wars, it's time now for worsted wars. Last fortnight, textile major Siyaram Silk Mills, a part of the Rs900-crore Siyaram Poddar group, launched the J.Hampstead brand of worsted suitings in the country. Siyaram has been importing J.Hampstead branded worsted fabrics into the country since 1995. But the product launched last fortnight is a blended product manufactured in India with technical support from J.Hampstead of England. "We invested close to Rs30 crore for the manufacturing facility of this product," says Ramesh Poddar, vice-chairman and managing director of Siyaram Silk Mills Ltd. "J.Hampstead does not manufacture blended woolen fabric, so we are also targeting the export market," adds Poddar. In the domestic market, priced at Rs300 onwards, J.Hampstead products are targeted at the upper-middle and middle classes. For the first year, Poddar estimates sales of Rs40 crore. "The customer wants good quality at affordable rates. It is for these reasons that our product will be well accepted," says Poddar. •

Builders are hesitant about promoting a domestic water recycling system as an additional feature, admits Ajay Popat, associate vice-president (marketing) of Ion Exchange (India) Ltd. "They are scared that prospective flat buyers will perceive this as a warning of a water shortage," explains Popat, who launched a domestic-scale recycling plant for kitchen and bathroom wastewater in Pune last fortnight. Ion Exchange, which has over 400 industrial installations in India, promises a 12-18-month payback period for its new 'water assurance' systems. Installing it during construction could add just Rs4-5 to the cost per square foot, while a retrofitted unit would involve an outlay of



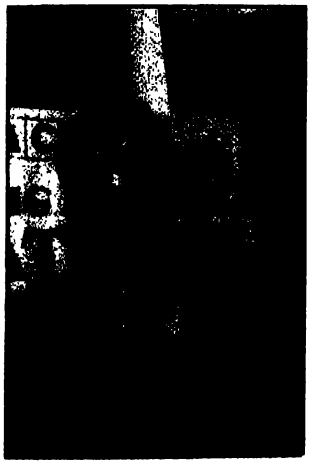
Rs10,000 a flat, he says. The urban domestic sector consumes 80 per cent of water supplies, 60 per cent of which is for toilet flushing, gardening and washing cars, Popat points out. The company has installed a 10,000 litres per day recycling system for a large residential complex in the Mumbai suburb of Vasai. It hopes to grow this market exponentially, obviously before other entrants make it all water under the bridge. •



Last fortnight, Klaus Scholl, president of Titex, a subsidiary of Sandvik, was in Pune. Titex, headquartered at Frankfurt, manufactures high-speed and high-performance rotating cutting tools, under the brand name Titex Plus, which are sold all over Europe, USA, Japan, China, Australia, etc. Titex has set up a wholly-owned company in India, called Titex India Pvt Ltd, which has a year-old manufacturing plant in Pune. "We are not new to India. We have been selling our products for the last 30 years in India, to companies like Mico, Telco, Bajaj Auto, etc. Earlier, these companies were



importing our products from Europe and now with the setting up of Titex India, we are manufacturing them locally," says Klaus Scholl. According to him, although the market in India for cutting tools as a whole is not growing much, Titex India is operating in a niche market, which is of high-performance rotating tools. "I have been visiting India often and I am pleasantly surprised how fast Indian companies are adopting the latest cutting technologies, as a result of which the market for our products is growing and we want to participate in this growth," sums up Scholl. •



Tasmac Management Training Resources (TMTR) Pvt Ltd has tied up with Zig Ziglar Corp to get the latter's training programmes to India. Zig Ziglar Corp, a $3-billion enterprise based in Dallas, USA, is solely into training and operates in 15 countries worldwide. Last fortnight, TMTR director Giri Dua launched Zig Ziglar's first training programme in India, called *Strategies for Success*. It is a video-based programme consisting of six modules spread over 12 weekly sessions. Initially, the per participant fees will work out to Rs29,500, with discounts for companies nominating more than one participant. Says Dua, "We have already got Clariant India Ltd as our clients and we will be training 300 of their executives in all their branches in India. Besides, our first batch in Pune of 25 participants nominated by companies is also ready to begin training. By the year end, we expect to have eight batches running in Mumbai, Hyderabad, Bangalore and Pune." •

This is for those interested in fine mens wear. Ermenegildo Zegna, a leading global brand in fine mens wear, which has no direct presence as yet in India, will open its flagship store at Mumbai's Crossroads mall this month-end. The Mumbai store is the company's 45th boutique worldwide. The boutique will open showcasing its Winter 1999 collection. "We've studied the market for three years. India is an important market for us," says Maurizio Calcinoni, Ermenegildo Zegna's managing director for Asia Pacific. The boutique will be a concept boutique, similar to its other boutiques worldwide. All the 160 suits will be imported from Italy. "For the local customer, we offer exclusive suits, in terms of both the product and our made-to-measure service at the boutique," says Calcinoni. •

Wunderman Cato Johnson (WCJ), a member of the Young & Rubicam Group of Companies, has been formally launched in India. WCJ, renowned as the world's largest database marketing firm, is now redefining the business it is in across the world. Launching WCJ in India, Wolfgang Haf, WCJ's president for the Asia Pacific region said, "WCJ is not just another direct marketing agency. It is a world-class business service provider of an entirely new class; WCJ almost routinely creates marketing history with its global expertise in customer relationship management, technology-driven marketing and customer equity management." G. Ajay Row, chief operating officer of WCJ India said, "In India, the launch of WCJ marks the dawn of an exciting new marketing era. Our *mantra* for the new millennium will be to help clients manage their customers as a strategic asset. WCJ is a tremendous force globally and their support of the Indian operation in so many ways is truly incredible." •



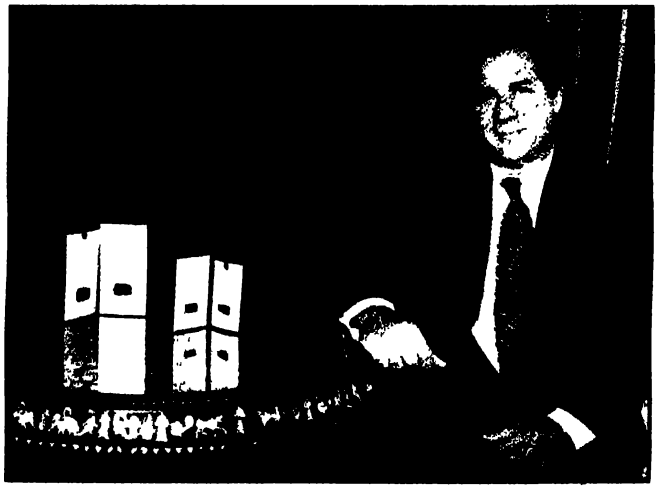


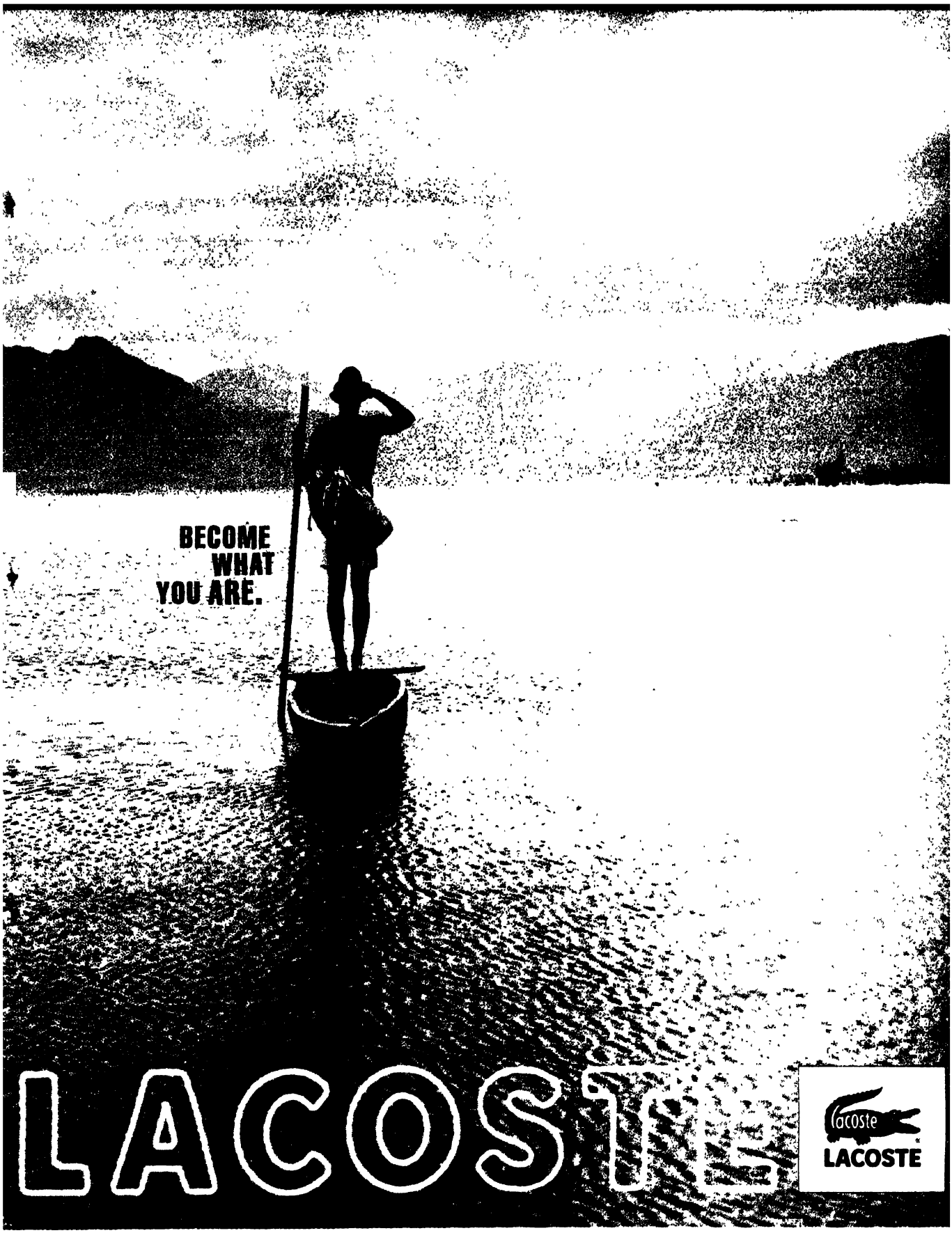
Teruaki Watanabe, managing director (foreign trade department) of Pentel Co Ltd, was in Mumbai recently to announce his company's 50:50 joint venture with writing instrument manufacturers Flair and Rótomac. "The new company will be known as Indo Japan Pen Manufacturing Co Pvt Ltd and will have a technical collaboration with Pentel Co Ltd of Japan," said Teruaki Watanabe. The new company will exclusively manufacture and market the Pentel brand of writing instruments in India for a price range of Rs15 to Rs115. The new company has set up its manufacturing unit at Daman with a current capacity of 50,000 pens per day, which is expected to grow up to 2 lakh pens per day by March 2000. •

Barely three months after taking over as president and CEO of International Speciality Products Inc, US, (combined revenue of $2 billion including that of Gaf Materials Corp), **Sunil Kumar** has a packed schedule. He has embarked on a six-nation tour spanning 12 days to explore and get first-hand knowledge of the potential in this part of the world. The first stopover has been India. ISP manufactures a host of speciality chemicals which go into personal healthcare, pharmaceuticals and the more recent processed packaged foods. Its major clients are companies such as Unilever, P&G, Colgate, *et al*. ISP established its liaison office about three years ago and boasts of generating revenues in excess of about $10 million in India. Kumar feels that ISP's Indian operations can generate business five times the current level. "There's no doubt. All the drivers (read MNCs) are here," says he. He is also exploring the possibility of setting up a manufacturing base in Asia. "I am comfortable with India. We are here for a long haul for we recognise huge growth potential in the country," he says. •



Mario Pages, international sales manager of Parlux Fragrances Inc, was in Mumbai recently to take stock of the company's products since its launch in India 12 months ago. Pages also launched a new fragrance for Indian men - Portfolio. "This is a perfect expression from the Perry Ellis stable for men who have a multidimensional personality. It is a new classic for the new millennium and is being simultaneously launched all around the world. The target audience is the young executive," said Pages. He sees India become an open market in the near future and an important place for Perry Ellis International as a global company to be in. Worldwide, the company has sales in excess of $800 million and a network of over 25 licensees for manufacturing and marketing in 36 different product categories. "Although in terms of volumes we have nothing much to write home about, we are building our brands in India and see it as a market of the future," said Pages who hopes to launch a few more brands here. •





AGRA: Fatehabad Road. BANGALORE: Commercial Street Entrance, ffolio, KGA Golf Course CALCUTTA: Shakespeare Sarani CHANDIGARH Sector-17 C. CHENNAI: Nungambakkam High Road, Pondy Bazaar. COCHIN: The Esplanade GOA: Heritage Village Club, Ida Maria Resort-Calangute, M.G Road-Panjim. HYDERABAD: Banjara Hills. JAIPUR: M.I. Road. MUMBAI: Colaba Causeway, Crossroads, Linking Road, The Oberoi Shopping Arcade, Vama NEEMRANA: Neemrana Fort Palace. NEW DELHI: Ansal Plaza, Connaught Place, GK-1, Hyatt Regency, Karol Bagh, Radisson, Santushti, South Extn.-1. PONDICHERRY: J.N. Street. PUNE: Bund Garden Road. SURAT: Holiday Inn.

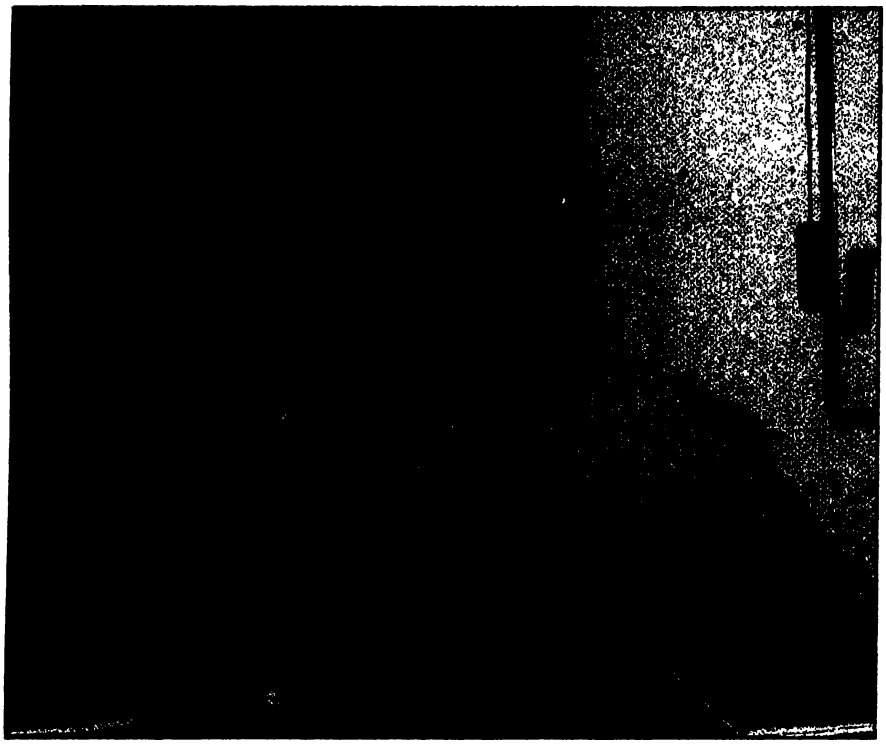
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Profits spelt I-n-t-e-r-n-e-t

The Internet is responsible for most it companies' business strategies today. Whether it is improving the viability of existing successful businesses or creating entirely new businesses from the tabula rasa the Web represents, Indian companies are moving up in visibility. Here two applications extend enterprise management software by two European multinational vendors to the Web, while the Indian showcase of the international Internet business conference and exhibition attracts visitors and organisations from across the world

Weaving Web solutions



Houle has set his sights on gaining 20 per cent of the ERP market in India

Amsterdam-based Scala Business Solutions NV is a $100-million global provider of business software solutions and products, operating in 60 countries and employing 1,000 software professionals worldwide. Scala set up a 100-per cent software development subsidiary called Scala Mindworks Pvt Ltd in Pune in 1995. "Scala Mindworks is one of our six development centres worldwide," says Chris Houle, president of Scala Business Solutions NV. "Besides developing software, it works in close co-operation with Bangalore-based Sonata Software Ltd, which taps the commercial market for us in India and sells our products here."

Scala is mainly into ERP solutions, and its target clientele are multinationals like Alfa Laval, Astra Pharmaceuticals, Sandvik, ABB, and Buhler. It has an 11 per cent share of a market worth $70 million (Rs300 crore), behind companies like SAP India and Baan. "SAP and Baan systems are tier-1 ERP solution providers, whereas we consider ourselves as tier-2. We target midsized companies with turnovers ranging between $25 and $50 million," says Houle. For example Bühler, a large Swiss machinery manufacturer which has operations in 140 countries, uses SAP at 10 or 12 of its large sites, but for its other medium-sized locations it uses Scala systems.

According to Houle, the ERP market in India is growing at 30–40 per cent per annum, and Scala aims to capture 20 per cent of this market in the next three years. Besides growing domestically market, the Indian operation will also play a key role in Scala's success in global markets. Mindworks plans to grow to a strength of 200 from the present 46 over the next three years. Managing director Milind Thosar, says, "While Sonata Systems Ltd does the marketing and localisation of our ERP packages for the Indian market, we in Pune concentrate on future technologies, which include Web-enabled business solutions. In fact, the evolution of global Web-based products is largely driven from our development centre at Pune."

For example, the Pune team developed an Internet-based package for First Hotel, a Swedish chain of 50-plus budget hotels in Europe. This is a company with a low-cost operating model which called for Web-based solutions. It wanted transactions to be carried out by non-IT staff like night clerks, who could key in the daily invoices received from suppliers of each hotel. These invoices would then be cleared the next morning by centrally located professional accounting managers, resulting in higher manpower productivity and cost savings.

Similarly, Scala Mindworks also developed a Web-based project management system for Sandvik, which has a lot of skilled managers who are usually travelling and at project sites. This is a time-tracking system. At the end of each day the managers log on to the Internet and key in the number of hours they have worked on a project for subsequent billing. This system is integrated with

Scala's financial accounting and project management system which includes scheduling, logistics, spare parts management, etc.

At the Internet & e-commerce conference and expo in New York in April this year, a new e-commerce product Scala.Solutions was adjudged the best e-commerce-enabling application by the Gartner Group, a highly respected computer industry market analysis company based in Connecticut. Scala.Solutions is a suite of powerful e-commerce solutions with which a company can extend its reach via the Internet to its customers, vendors, bankers, and dealers, enabling them to transact with the company on a 'self-service' basis.

The software is available in 30 different languages. The selection of the language is menu-driven, so the user can switch from one language to another on the fly, unlike, for instance, Microsoft's Chinese version of MS Word. Scala.Solutions uses XML technology for real-time data transfers. The extensible mark-up language text formatting facilitates faster data transfer. Simply put: if, for example, the language of a software package is to change from English to German, online and in real time, XML retains the basic screens and visuals on the computer and only transfers the text from language libraries in the system.

Scala.Solutions incorporates XML technology together with wireless application protocol (WAP), which enables data to be entered from wireless handheld instruments such as cellular phones. Scala.Solutions also supports multiple currencies of the 60 countries Scala operates in at the moment. "Currency tables are maintained in the system which are regularly updated by automated importation of data from a central or commercial bank," says Houle.

Scala plans roadshows to make its potential clients aware of the capabilities of its products in key cities across the world, including Delhi, Mumbai, and Bangalore, sometime in October or November this year, for its Indian clientele. With Web-based business solutions in ERP and e-commerce, Scala is all set to go places.

• ROOP KARNANI

The year 1999 was not particularly exciting for the global enterprise resource planning (ERP) vendors. Prospective customers, busy fixing the Y2K bug in the last year of the millennium, had little time and funds to think about ERP products. Even market leader SAP AG, could not escape the slowdown in the market. Having achieved 40 per cent growth in revenue in the boom year 1998, it is struggling to touch 25 per cent this year. The company is pinning its hopes on mySAP.com, its portfolio of far-reaching Internet business strategy and e-commerce offerings.

SAP has been aggressively promoting mySAP.com, launched on 20 July, through sapphire '99, an event for its clients, business partners, and professionals. The mySAP applications combine the powerful capabilities of SAP's business applications with standard Internet technologies. "MySAP.com will be launched in the Asia–Pacific region at the sapphire '99 for the region which will be held in Singapore from 13 October. SAP users will be able to envisage the future shape of their businesses in the Internet economy," says Singapore-based Nandkishore Kalambi, director of the SBU for manufacturing in South Asia and the Pacific.

Nandkishore and his colleague Georg Gradl were in India recently to participate in roadshows in Delhi, Mumbai, and Chennai to create greater awareness about SAP's new products and applications. "India is a very important market. For us, it is one of the fastest-growing. Moreover, the Indian market is very receptive to new offerings from SAP," says Gradl.

"MySAP.com is the only complete solution for doing business over the Web. It brings a new level of empowerment to a company's employees, customers, and partners, all over the Internet," says Gradl. SAP's selling line seems to be 'Turn Internet promises into profit'. The popular perception is that the Internet is some fancy technology, associated more with fun and leisure than business. "We want to change that perception among our users," says Kalambi. "We tell them they can use it to make money. With mySAP.com we will demonstrate how the Internet can be used to enhance profitability."

MySAP.com encompasses business collaboration scenarios spanning from back-end to front-end to virtual marketplaces. These cover e-commerce, customer relationship management, strategic enterprise management, business intelligence, supply chain management, human resources, logistics, manufacturing, financials,



Kalambi wants to change the perception of the Internet as a leisure medium

knowledge management, industry-specific templates, virtual training classes, and professional services.

A mySAP.com portal will enable one-step business and will be a leading source of business services for professionals. The application itself has two components — Marketplace and Workplace. MySAP.com Marketplace enables companies to participate in the Internet economy. It is a comprehensive, open e-business solutions environment comprising portals, industry-specific enterprise applications, Internet applications and services, and XML-based technology. The emphasis will be on creation of collaborative markets and facilitation of dynamic business relationships — business-to-business procurement, business-to-consumer selling, and business-to-business selling.

Explaining the nuts and bolts of mySAP.com, Gradl says: "SAP is establishing an Internet-based marketplace. A substantial part of mySAP.com Marketplace is a business directory, which helps companies find business partners, interact with contacts, and identify products or services. As a member of this business directory you benefit from an open marketplace, where buyers find sellers from around the world and service providers cater for individuals with professional needs. Once your company is registered you can use self-service functions to modify your detailed business directory entries, e.g. product categories or the business communities you sell to, whenever you need to." In addition, there is also a relationship library and business support services.

MySAP.com Workplace is a role-based, personalised single access point that gives users fast, easy, and convenient access to everything they need, including SAP and non-SAP components and all internal and external information and services, from a Web browser — without requiring any additional installation on the desktop. An integral part of mySAP.com, it provides an open server-based infrastructure for role-based interfaces that empowers users to perform effectively in dynamic, fast-paced, market-driven work environments.

• MOHAN RAMAMOORTHY

Where e-biz is big business

Last time they were in the wings — waiting, watching, a trifle sceptical. This year they rushed in — enthusiastic, spirited, and highly optimistic. Internet Service Providers (ISPs), Web portals, content providers, electronic business consultants, equipment manufacturers, venture capitalists, and angel investors from the US — they were all there in numbers at the second India Internet World (IIW) 99, held at the capital's Pragati Maidan last fortnight. Over three days between 22 and 24 September, the exhibition, organised by Microland-subsidiary Micromedia in association with Penton Media of the US, drew over 75,000 regular visitors, in addition to 1,600 delegates and about 20,000 business attendees, and over 100 companies exhibiting their wares. Last year, the fair attracted about 40 exhibitors, and about 27,000 visitors.

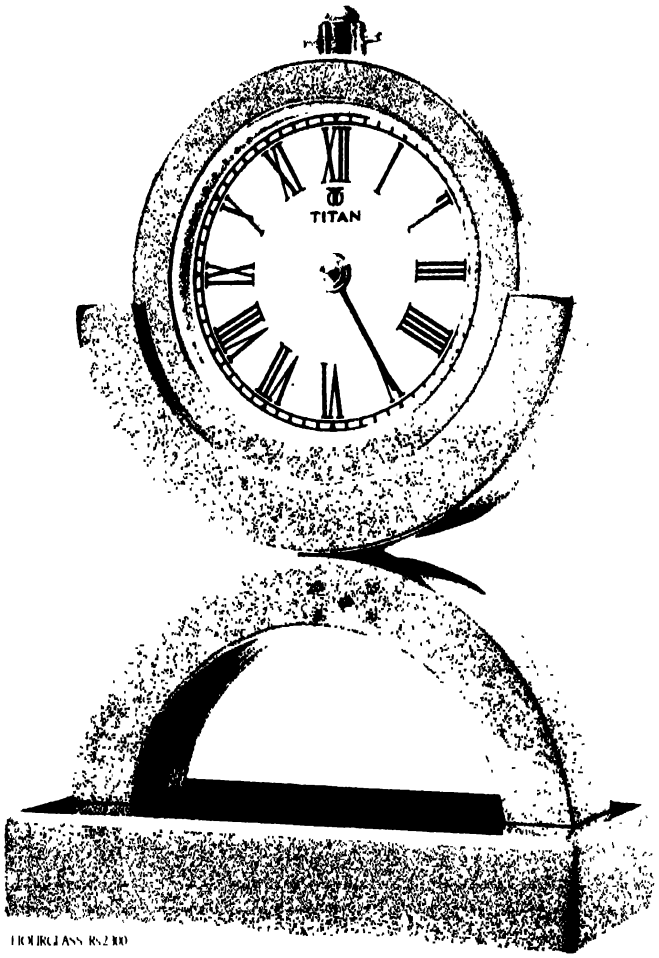
Web fever is sure running high among Indian netizens. Thanks to the end of long-distance carrier VSNL's monopoly over the medium last year, the Internet has seen a proliferation of both access providers and users. Now the country's 2.2 million users have a host of ISPs to choose from, prominent among them Satyam Infoway, MTNL, and Bharti-BT. Most industry experts expect the number of users to increase to 15 million by next year, and that is just a conservative estimate. "It's remarkable how awareness of the Net is growing," says Microland chairman Pradeep Kar, who exited his hardware business totally last year, and is now concentrating all his efforts on evolving a service-solutions model on and around the Net. "If space wasn't a constraint, we'd have liked the show to be much bigger."

Kar was among the early ones to have spotted the opportunities of the Net. Not only is the Web throwing up a new generation of entrepreneurs around the country, but even traditional companies are jumping on to the bandwagon to extend their business horizons. Their new *mantra*: e-commerce. Across industries, companies are now reorganising their office networks to reach out to their customers electronically, and also to shorten transaction cycles with their suppliers and vendors. "Even to compete in its conventional business a company has to be Net-ready," says Microsoft director (enterprise customer unit) T.S. Krishnan. "It's no longer a huge decision to make."

And a good decision it is too. Global research agencies say business done over the Net last year in the US alone totalled $30 billion, and by 2003 should cross $300 billion. But that,



The ISPs were out in force. Here: the Bharti-BT stand



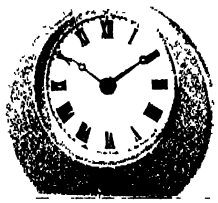
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according to network equipment manufacturer Cisco, which generates most of its $12 billion revenues over the Net and has set a target of $50 billion in the next five years, is an extremely conservative estimate. By 2001, says Cisco Systems vice-president (enterprise business) Prem Jain, e-business should touch $1.3 trillion.

Such numbers may yet be difficult to relate to in the Indian context. But the fact is that, despite obstacles like poor telecom infrastructure, inadequate security, and unclear cyberlaws, Indian companies actually did Rs131 crore worth of business on the Net last year. Of this, Rs119 crore was in business-to-business (B2B) transactions and the rest business-to-consumer (B2C). But in the next couple of years, feel industry pundits, the amount will increase to over Rs25,000 crore. Says Kar: "The e-commerce policy expected in the winter session of Parliament will take the Internet industry to new heights." And contributing to the growth will be not only the big IT companies like Intel, Oracle, IBM, and Hewlett-Packard, which are all reorienting their business models towards the Web, but also start-ups in the areas of Net consulting, networking, and portals.

An example: entrepreneur B.G. Mahesh, a software engineer, who started a personal Website named mahesh.com as far back as in 1993 to provide India-related information to (mainly) Indians in the US. Buoyed by the privatisation of the Internet delivery business and the growing popularity of the Net in India, Mahesh invested $1 million to re-launch his site as an India portal, indiainfo.com, in April this year, after tying up with Madhu Kodali and Raj Koneru of New-Jersey-based software services company Intelli. Besides political, business, and social news and features, indiainfo.com also provides e-commerce options to its users to order books, music, and flowers. Mahesh benchmarks his portal against rediff.com, and promises to consistently provide better value to the site's visitors. By the end-2000 he hopes to make his first IPO in the US.

Targeting a very different niche is Sanjay Shetty, CEO of DBS Internet,



Participation and attendance at IIW 99 were enthusiastic

who started his Web consulting firm in true it entrepreneurial style from a godown in 1996. Shetty, who tied up with Diners Business Services (DBS) last year, provides Web strategies and solutions to corporate houses and has notched up a client list of over 120, including such big accounts as IndianOil, Citibank, and Samsung. DBS has helped develop the online trading system of the National Stock Exchange and reduce transaction cycles for Samsung from 40 to 20 days.

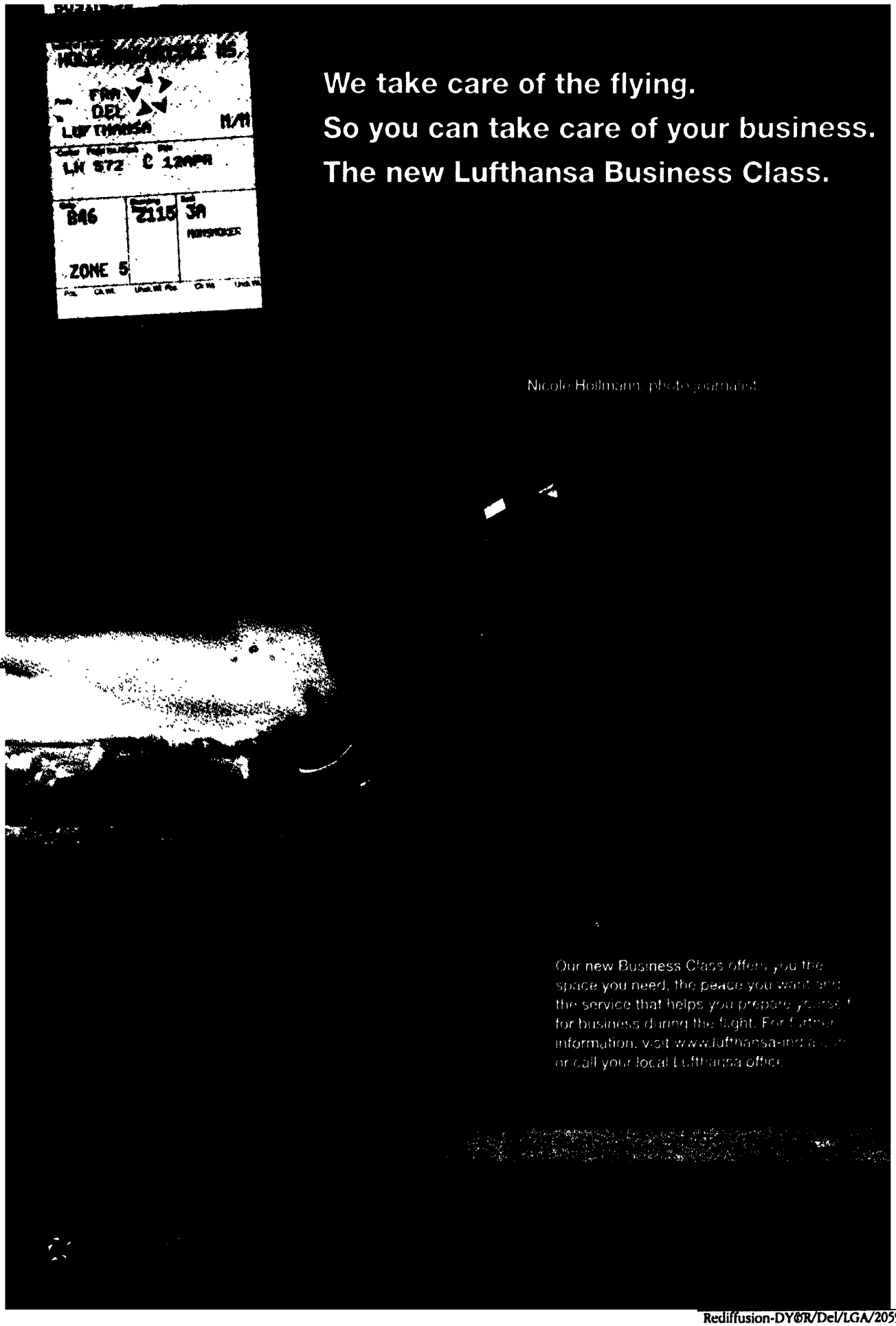
Shetty and Mahesh were just a couple of the many entrepreneurs proudly exhibiting their initiatives at IIW 99. And for those of them looking for investors in their businesses, there couldn't have been a better forum. Scouting around for a good idea to develop were quite a few angel investors from the US, besides the usual run of venture capitalists. The angel investors were mostly Indians who had struck it rich in the Silicon Valley and had now come home to seek out and nurture talent.

There was Ram Shriram, who recently chucked up his job with amazon.com and has turned full-time angel investor. Shriram, who had helped sell junglee.com to Amazon for a cool $174 million two years ago, is now mentoring three start-up ventures — google.com, a search engine, and yodlee.com and elance.com, both online transaction entities. There was also B.V Jagdeesh, co-founder of Exodus Communications, which hosts and maintains servers for mission-critical applications.

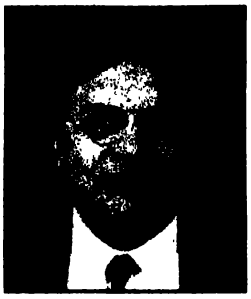
But the star of the show, undoubtedly, was Rakesh Mathur, who along with three other friends founded the search engine junglee.com, which was later merged with Amazon. Sitting on a cool pile of cash, Mathur has just quit his job at Amazon as vice-president and is now embarking on his next start-up, again along with a couple of Stanford friends. He's named the project Calpurnia, and says its a "big, big idea" but won't reveal much else. But in the next six months, when Calpurnia is up and running, Mathur says it'll revolutionise the Net.

None of them, though, was willing to commit exactly how much he wanted to invest in Indian start-ups. But Bo Peabody, co-founder of Tripod, which he sold to Lycos for $58 million last year, was very clear that he was willing to invest up to $5 million in one or more Indian start-ups. His personal initiative apart, Peabody says Lycos is partnering with Singapore Telecom to start regional portals in various countries of Southeast Asia, including India. As SingTel does not have a presence in India as yet, Peabody says Lycos is searching for a third partner, maybe Microland, to set up its India portal. With such initiatives in the offing, the rush at the fair next year may even surprise Kar.

• INDRANIL GHOSH



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BRIJ KHINDARIA

The author is an international columnist for Business India

Sleeping with the enemy

Why spurning the West for Russia and China is not a great idea

A zany idea doing the rounds of policy makers and intellectuals in Delhi is to create closer security ties with China and Russia to build an informal axis which will counterbalance the overwhelming military power of the US and NATO in world politics.

In fact, this idea goes well beyond being zany to being hypocritical, frightening and crazy. The logic behind it seems to be that India should seek Russian and Chinese defence and industrial technologies to build its military strength, since the US and the West have already flatly refused those technologies to India because of last year's nuclear blast.

Even if some kind of informal Russia-China-India security relationship were feasible, which is yet to be demonstrated, India's slant towards it would be the height of hypocrisy. That is because a very large number of our top politicians, bureaucrats and intellectuals have chosen the US, preferably Wall Street or Silicon Valley, for their children to live and work in. They see the US as the environment in which they would like their grand kids to grow up. Others, whose children remain in India, want to see them working for Western companies or set up companies doing business with Western partners. Yet, when it comes to diplomacy and policy-making our leaders see the US, together with its NATO "lackeys", as undesirable forces of hegemony and world domination! They prefer as interlocutors, a chaotic and bankrupt Russia controlled by pitiless Mafia oligarchs and a China gripped by a bloodstained and opaque one-party political dictatorship without any proper legal system.

Most of our leaders want their children to be in the US because they are convinced that it is the world's most transparent and open political and business system. Yet, they shy away from sitting down frequently and in diverse forums with US officials, legislators and business leaders to engage in transparent and co-operative dialogues to persuade those opinion makers or, God forbid, actually change their own minds after listening to Western arguments.

Hypocrisy is carried to such heights that most Indian policy-makers feel it beneath their dignity to even consider that American and European advice might be worth obtaining on how to build a better Indian democracy and a stronger economy. Everyone in India seems to have forgotten that our democracy, economy and business, banking and legal systems are patterned on Western designs and it might be wise to listen a little more closely to the inventors of the lifestyles we would like to achieve.

The idea of an informal Russia-China-India axis is frightening because it has the naiveté to assume that the West will fail to notice what is happening until it is too late to do anything about it. India can spring a Pokhran on the West just once. Now, every bit of India and everything that it does is under the closest scrutiny, especially after the nuclear scare created in Western capitals by Kargil. It is naïve to think that nobody in the West will notice if India obtains high military technologies from Russia or China by covert means. It is even more naïve to imagine that the West does not have the power to put pressure on Russia and China if they do supply anything truly dangerous to India.

The West shares the fears of India, China and Russia about Islamic fundamentalism and wants to fight terrorism together with those countries. But that does not mean it will turn a blind eye to the creation of a security relationship between two of its former cold war enemies and India, a country that never stood by it during the Cold War. India has always been moralistic and flaky, constantly flip-flopping in its attitudes to the West. It has never done anything to deserve the West's trust. So an Indian tilt towards Russia and China will not be taken lightly in the West.

Finally, the idea of an informal Russia-China-India axis is crazy because it assumes that both Russia and China are capable of being loyal to India. It is best to remember that Russia is not the Soviet Union, and even the latter was only a fair-weather friend. China, of course, thinks India deserves at best to be a lowly courtier in its court. We are spurning America and Europe, who have at least some respect for us, and are playing up to nations that have no appreciation for India.

And we are doing so because of some irrational convictions about the arrogance and cussedness of the West, instead of focusing on the traditional values of freedom, legal disciplines and human rights that bind us to the West. •

Engaging prospects

The thaw in Indo-US diplomacy is leading to mutual warmth between the two nations

Foreign minister Jaswant Singh continues succeed in winning over his counterparts in the US government. A notable acknowledgment of this winning streak was proffered by the tough-talking US secretary of state, Madeleine Albright, in New York on 28 September. At a public reception for Singh, who had travelled to the Big Apple to address the United Nations General Assembly, Albright released a collection of foreign policy essays penned by American bureaucrats and academics titled *Engaging India*.

There was more promise of a engaging interaction between the two sides. Secretary Albright formally reaffirmed the US government's plans for a presidential visit to India early in 2000. In a flash of rare sentiment, Albright expressed the insight that for President Clinton a trip to India was the "missing piece in his presidential and personal life". Other senior US government officials affirmed that the Clinton administration was determined to "rectify the lack of an engaging dialogue between the two countries". For his part, foreign minister Singh assured the US foreign policy mandarins that any new government in New Delhi would leave no stone unturned to make the visit an unqualified success. The last US presidential visit to India took place 23 years ago, when Jimmy Carter graced the hospitality of the Morarji Desai government.

Senior officials of the foreign ministry point out that such mutual warmth has emanated from a few key initiatives between the two sides during late August, and early September. These have helped Singh and Albright to temporarily bypass the issue of India signing the CTBT, a key priority for the US. The foremost among them has been a nascent action plan that would enable India and the US to collaborate against international terrorism.

In the third week of May, the US global ambassador for anti-terrorism initiatives had travelled to New Delhi, where he held extensive discussions with Singh, foreign secretary K. Raghunath, and national security advisor Brajesh Mishra. These discussions have culminated in the announcement of a joint working group of India and the US to combat the menace of international terrorism. In New York, Singh and Albright further discussed the scope of bilateral cooperation under this agreement, including institutional sharing of terrorism-related intelligence and counter-terrorist training. Senior foreign ministry officials emphasise that this initiative is proof of increasing US acknowledgment of India's problems arising from Pakistan-sponsored terrorism, as well as a reflection of the Clinton administration's concern about the sources of other militant extremism in the region, particularly that espoused by the Taliban in Afghanistan.

In recent days the US administration has shown more evidence of sharing the strategic concerns of the Indian government, particularly by rejecting Pakistan's demand for a direct American involvement in the Kashmir issue. In the two months since Pakistan's invasion was repelled by the Indian Army in Kargil, foreign minister Singh has firmly reiterated the traditional Indian stance against any third party mediation in Kashmir. In the past week, and especially during his trip to New York, top-level US officials demonstrated unambiguous acceptance of this stance. US Assistant Secretary of State for South Asia Karl Inderfurth took the position that his country felt more appropriate to act as a facilitator for strictly bilateral engagement between New Delhi and Islamabad. He also rejected Pakistan's demand for a special envoy on Kashmir.

Singh's visit was also broke some fresh ground in Indo-US bilateral relations. The two countries have sponsored a partnership to create a "community of democracies", which will work towards sharing and promoting the democratic experience around the world. A formal working group to push this idea is going to be announced by this year end.

Indian foreign policy officials argue that accord on the aforementioned issues helped to gain US restraint against any American precondition for a presidential visit. However, they are concerned by the need for the creation of "a positive environment" in other matters as well. In coming days, after the new government is sworn in, the Indian establishment is expected to work towards the lifting of US sanctions against India after the Pokhran nuclear tests and narrowing of current differences over international nuclear weapons control. Any breakthrough will be built on the foundation provided by Jaswant Singh.

• ANUPAM GOSWAMI

Riparian row

The last week of September had been reserved by Prime Minister Atal Behari Vajpayee for the last round of electioneering in Uttar Pradesh. Senior aides had planned for him to be personally free from all prime ministerial responsibilities during September 24–26, in order to bring his personal touch to the BJP's campaign in the key Hindi-speaking state. As it turned out to be, Vajpayee had to spend much of this time managing the surge of troubles related to the sharing of the Cauvery's waters between Karnataka and Tamil Nadu.

The history of the long-standing dispute between the two states shows a renewed outbreak of conflict around the time of paddy sowing season in the Thanjavur region of Tamil Nadu, which is watered downstream by the Cauvery, after the river winds it way through Karnataka. Weak monsoons during such seasons have guaranteed serious trouble between the two states. Such circumstances, in recent years, have made successive Karnataka governments anxious to conserve the Cauvery waters for drinking and

irrigation requirements within the state, even at the cost of violating the 1991 interim award of the Cauvery Tribunal. This binds Karnataka to annually supply Tamil Nadu with 205 tmc (thousand million cubic feet) of water from the Cauvery. The riparian drama in the last week of September was a faithful rendition of this script.

Political parties of every hue in Tamil Nadu, as well as the agricultural groups in that state, had begun to sound angry against Karnataka in mid-August. The latter state was seen to zealously hoard Cauvery waters in its own reservoirs as a precaution against uneven rainfall in central Karnataka. According to officials of the Union ministry for water resources, rainfall in Karnataka was measured to be 11 per cent below normal by 31 August, and that in Tamil Nadu around 15 per cent. Since early August, the Karnataka state government had been claiming the need for emergency water storage measures on the Cauvery, on the basis that its water reserves were down to 123 tmc against the prescribed level of 184 tmc. The restricted flow from Karnataka had set the proverbial farm bells ringing among the rice cultivators in Tamil Nadu, particularly in Thanjavur and adjoining districts. Tamil lobbyists claimed that a total of 43,000 hectares under the *kuruvai* crop were in particular danger.

In the second week of September the release from the Mettur dam – the last reservoir on the Cauvery between Tamil Nadu and Karnataka – fell to 23 per cent of the prescribed norm, and this sparked off the immediate crisis. Tamil Nadu chief minister M. Karunanidhi started calling up Vajpayee up – in Delhi, as well as on election tour – and reminding him that the so-called Cauvery accord, mediated by the BJP-led government last October, was one of the key planks of the BJP-DMK alliance for the current general elections. This accord had led to the creation of the Cauvery River Authority under the chairmanship of the prime minister and the chief ministers of all the four riparian states of the Cauvery as members. The CVA is assisted by a specially formed monitoring committee. The Tamil

e-commerce

Nadu chief minister argued that any breach of the accord would make it politically difficult to participate in any future BJP-led government. As proof of the pressure that he was under, Karunanidhi also drew the prime minister's attention to the virulent campaign that had already been initiated in the *kuruvai* sowing regions by his archrival, J. Jayalalitha of the AIADMK.

As part of his crisis management, Vajpayee ordered a meeting of the special monitoring committee on 23 September. The general tenor of the meet was that Karnataka, if willing, could indeed find adequate water for Tamil Nadu's needs. This was rejected outright by the Karnataka representatives. This outcome had been already anticipated by Karunanidhi, who had already prepared a team of three state ministers, ready to seek audience with the prime minister to press the state's case further. Vajpayee was forced to cut his UP trip short to meet this team.

Subsequently, the prime minister ordered a meeting of the CVA itself in Delhi, scheduled for 29 September. This plan again ran into intransigent opposition from Karnataka. Its state government insisted that the meeting be put off until mid-October, until the final round of assembly elections in Karnataka were over. Karnataka chief minister J.H. Patel took the view that he was physically indisposed, owing to a bout of jaundice, and would be unable to make it to New Delhi. By the evening of 26 September, senior aides of the prime minister were scratching their heads about the viability of a CVA meet without Karnataka.

The problem was averted by flash rains in Tamil Nadu which begun on the late afternoon of 27 September and throughout the next day. Sensing Vajpayee's embarrassment, the Tamil Nadu chief minister held these to be adequate for the sowing stage and for the water reservoirs in his state for the forthcoming fortnight. Accordingly, Vajpayee has postponed the CVA meet to mid-October. But once again the intractability of the Cauvery dispute stands demonstrated.

• ANUPAM GOSWAMI

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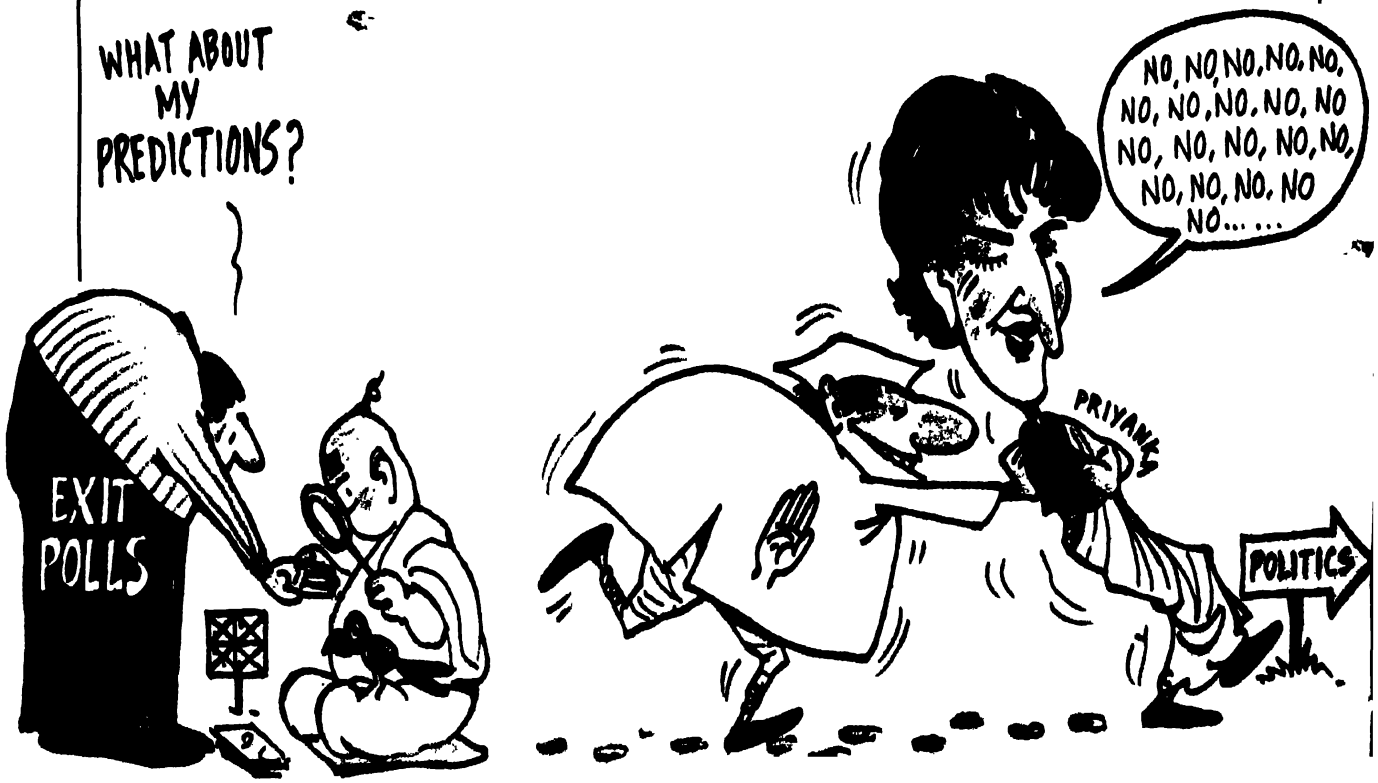
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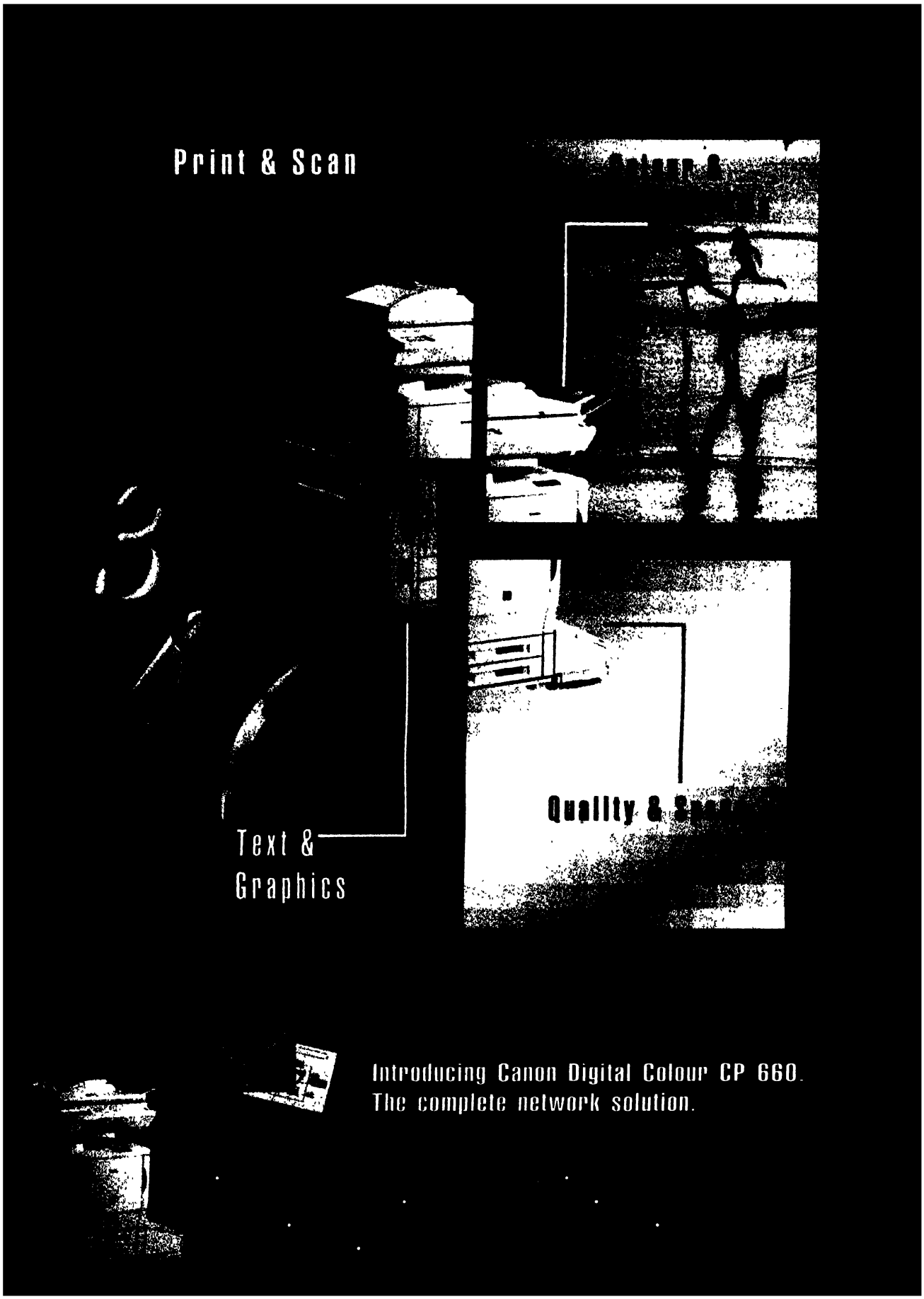
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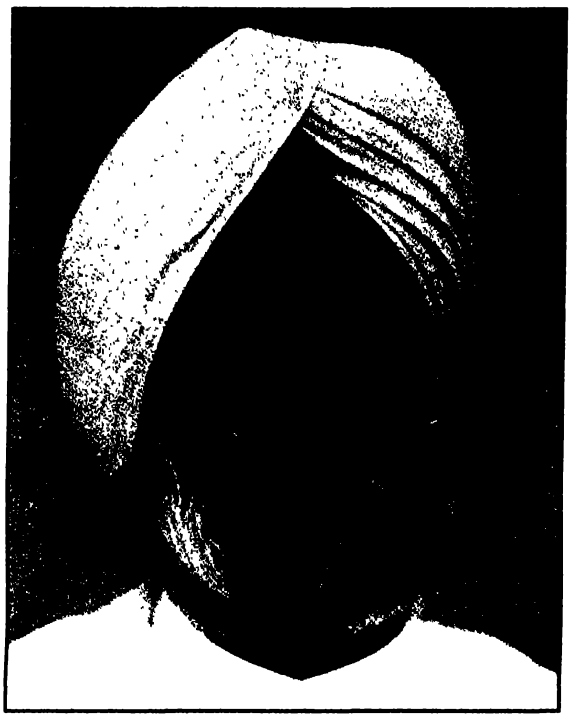
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Skidding on oil

The government is in a sticky mess over its management of petro-goods pricing

No standard dictionary of economics can explain the term 'oil pool deficit'. It is used to denote the net effect of a frighteningly muddled regime of price controls and cross-subsidies among petroleum and petro-products, unique only to India. Just as it is conceptually diffuse, its adverse impact too permeates diverse sectors of the national economy in a free-flowing, enveloping manner. "The problem of the oil pool deficit is like an advancing glacier of troubles," says former finance minister Manmohan Singh.



Singh calls the OPD an advancing glacier of troubles, and he should know

The OPD refers to the net difference between the import prices of petroleum and petro-goods and the prices at which these goods are sold within the country by public sector firms like IOC, BPCL, HPCL, and others. The populist politics of every successive government from the 1970s onwards has forced these firms to sell kerosene, cooking gas (LPG), and diesel at heavily subsidised rates. The difference is important because nearly 62 per cent of India's oil requirements are met through imports. In theory, the governments have been committed to making up the difference. In practice, they could not be bothered too much, which meant that the burden of the oil deficit has been really borne by the oil companies, hamstringing their own business plans.

Notably, the OPD is not included in the annual accounts of the Central government. This approach was also reflected in the way the government's drastic handling of the OPD in 1997, by which time it had grown to Rs18,200 crore. In a few sweeping strokes of bureaucratic penmanship, the government converted its dues to oil bonds credited to the respective oil firms in the country. Subsequently, the last quarter of 1997 and the whole of 1998 saw a long, sustained dip in the international oil prices and, in a period of 14 months, the government was able to clear its dues on the oil bonds almost entirely.

However, since March this year, international oil prices have come surging back to their high levels and India's oil economy is in trouble again. During the last six months since March, international crude prices have risen by almost 105 per cent. There have been identical increases in the international prices of naphtha, kerosene, high-speed diesel (HSD), and furnace fuel oils (FO). The higher price of the India's oil needs was reflected, to begin with, in its oil import bill, whose frequently revised estimates have been a regular feature of the confabulations between the petroleum and finance ministries in Delhi. Budget '99 had initially made a provision for $8.2 billion on this count (since all petroleum imports are dollar-denominated). Some time later, at around June, this projection was revised to $9.8 billion. In early September, the latest government estimates put the oil import bill close to $10.9 billion. In comparison, the cumulative bill for oil imports in the previous financial year, 1998-99, was $5.9 billion.

However, this trend has not been reflected in the domestic market prices of petroleum goods, which continued to be pegged back at 1998 levels. In the early part of its tenure the BJP-led coalition government took advantage of the low international oil prices to hack domestic HSD prices four times. For purely populist reasons, during the current election year, it refused to take measures in the reverse direction notwithstanding the sustained bullish trend of international petroleum prices. This was in direct abnegation of the policy decisions taken in 1997, at the time when the OPD was drastically curtailed. Then, the United Front coalition had also adopted an accompanying policy decision to dismantle the administered pricing mechanism (APM), which regulated the prices domestic oil firms could sell their products at, in a phased manner by 2003. Among other things, diesel prices were to be adjusted every month in line with the international prices. "Inherent to this policy initiative was the assumption that domestic prices of most petro-products would be synchronised to international markets," says the effervescent Jairam Ramesh, who was a key economic advisor to the UF government and is now in charge of the economic affairs cell of the Congress.

The result has been a massive ballooning of the OPD once again. Last November the OPD had dropped to Rs600 crore. According to preliminary estimates by the petroleum ministry, it had soared to Rs5,300 crore in August and is climbing at Rs770 crore every month currently. This is the accruing amount that is cutting into the

bottomlines of Indian oil companies and directly reflects the crippling pricing that they have to adhere too. The landed import price of kerosene, for example, is currently Rs7.86 per litre. On the other hand, the oil companies have to provide this key commodity to the government's public distribution system at Rs2.58 per litre. Similarly, the landed price of imported diesel is Rs10.14 per litre, but it sells in the domestic market at Rs8.02 per litre.

"One direct result of this skewed price management is the mounting kerosene subsidy, which is assuming daunting proportions," says a senior official in the petroleum ministry. The BJP-led government's static pricing for kerosene, too, is in contradiction to the UF government's resolution (on 21 November 1997) to adopt a flexible, dynamic policy which called for phased increases in kerosene prices in order to reduce kerosene subsidies to one-third of the overall import costs by 2001-02. According to fresh projections made by the ministry, kerosene subsidies in 1999-2000 will amount to Rs6,500 crore in comparison to Rs5,790 crore in 1998-99. The projections are based on the current international price of crude, $21 a barrel. This presumption too could turn out to be short-lived.



R. RAMAN

Ramamurthy has preferred to procrastinate on this "politically sensitive issue"

The current peak international oil prices are entirely the result of a deliberate effort by OPEC, which is anxious to prevent the 1998 experience. With a rare, singular unity, its member countries have cut back their respective oil production and export quotas. Their determination to keep up with policy was amply evident at the OPEC gathering in Vienna in the last week of September. Member countries agreed that the current restrictions on oil production and exports are not to be reviewed until next February. International oil traders have already begun to warn that commercially available oil stockpiles are going to drain to multiyear lows, leading to still higher trading prices. In fact some of them, such as the London-based Energy Market Consultants, have forecast a return to the 1991 oil price of $25 per barrel.

Manmohan Singh went through a nightmarish experience then. The new finance minister in the incoming government is destined for a similar fate. In fact, in mid-September, one of the last decisions of the BJP-led government in its caretaker phase was to order petroleum ministry officials to come up with a viable solution to tackle the OPD problem. This clearly implies that the buck had been passed. "We felt that only a new government at the Centre would be able to comprehensively handle this politically sensitive issue," says petroleum minister V.K. Ramamurthy.

This blasé view does not extend to the oil PSUs, which are bearing the direct burden of the OPD as in the past. The ballooning oil deficit has directly effected the value of their scrip, and threatened their much-vaunted disinvestment programme. IOC chairman M.A. Pathan, admits that he already communicated to the government that "it would not be advisable to go [ahead with] the GDR offer till the oil deficit is brought under strictly controlled limits". The delay in disinvestment would seriously hurt the government's projected resource mobilisation. Just a reminder that the oil pool deficit sucks out far more than the government imagines.

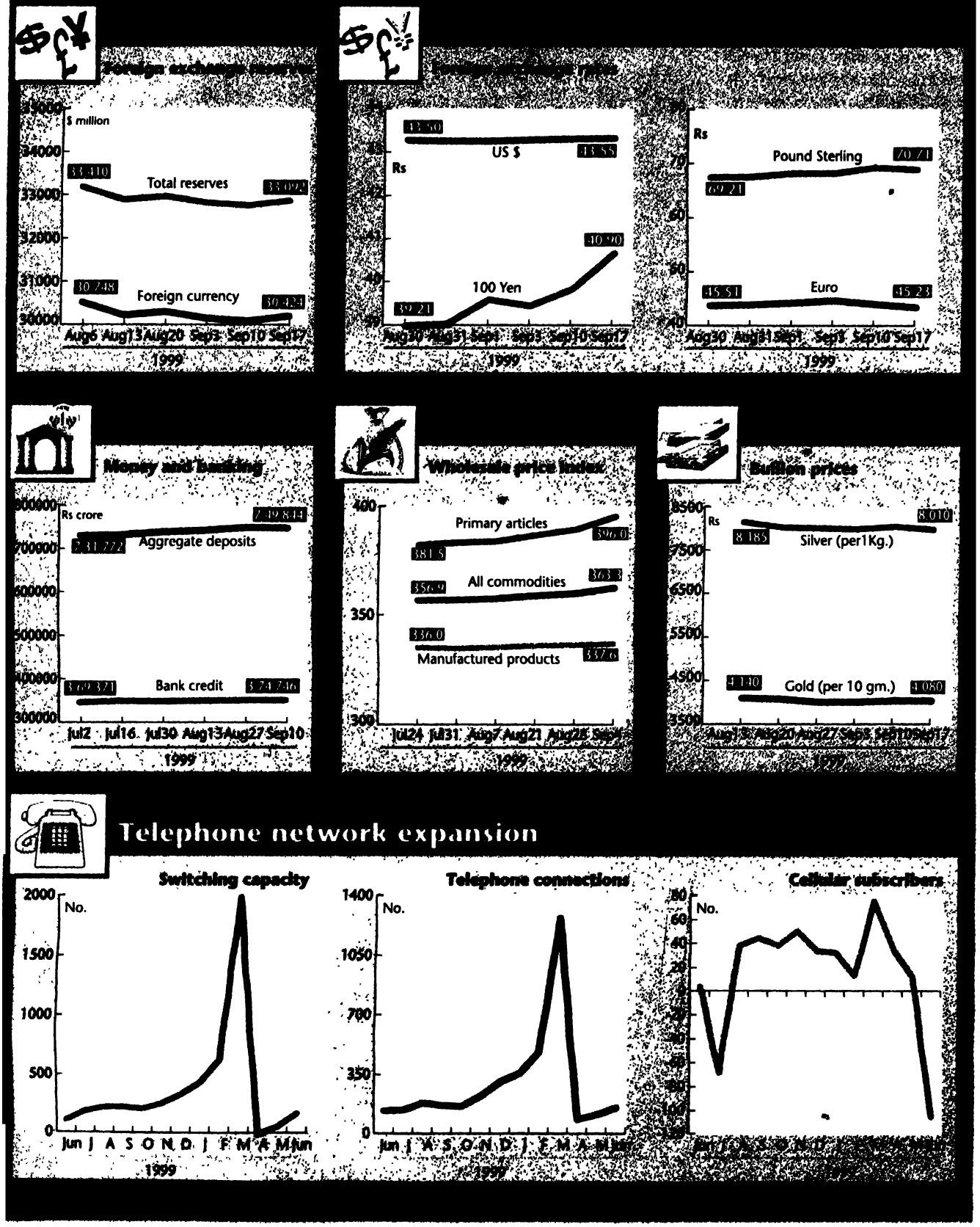


PALASHRANJAN BHAUMICK

The OPD is damaging the divestment prospects of the oil psus, says Pathan

♦ ANUPAM GOSWAMI

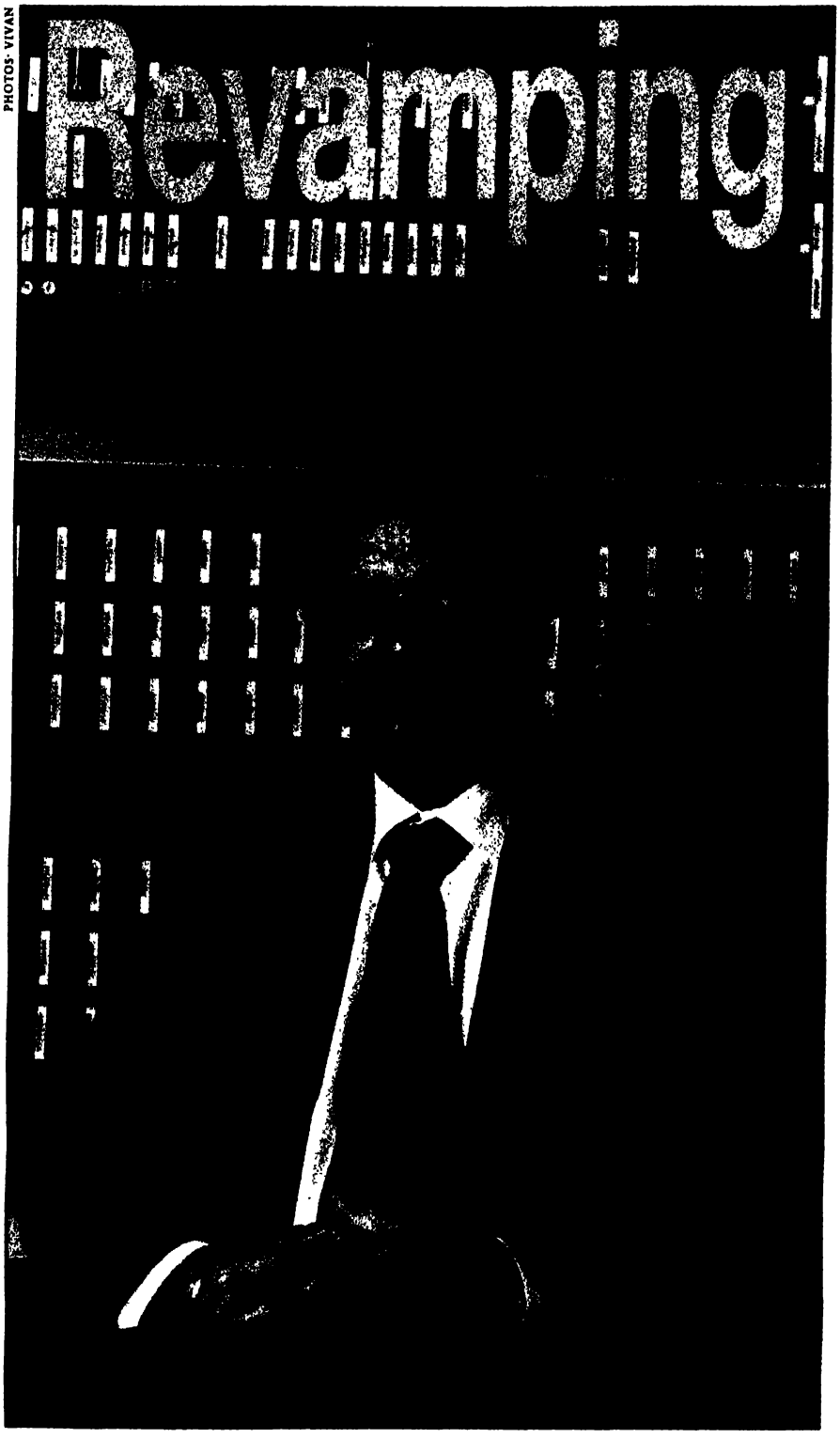
On the upside





OPEL

PHOTOS: VIVAN



MTNL

From a nonchalant public sector monopoly, CMD S. Rajagopalan is transforming MTNL into a savvy telecom major by revamping its existing network and entering a gamut of new services

Just back from a visit to Singapore, S. Rajagopalan can't stop gushing about Singapore Telecom (SingTel), the country's incumbent telecom operator. "They are doing very well," says the chairman and managing director of Mahanagar Telephone Nigam (MTNL), which provides basic telephone and Internet services in the cities of Mumbai and Delhi. "There are a lot of similarities between us and SingTel. Both of us are facing competition. It had its initial difficulties in cellular, but has tackled it well. I spoke to some local people and found that they appreciate the fact that despite being a public sector company, SingTel is improving the quality of its customer care services."

Why is he singing praises of SingTel? Well, soon Rajagopalan hopes to tap SingTel's expertise in mobile telephony to offer MTNL's own cellular service using GSM technology in Mumbai and Delhi. Though SingTel still has a monopoly in fixed line services – Singapore's basic telephony will be thrown open to private participation only next year – it has withstood competition in cellular, and Rajagopalan is keen to draw from that experience. MTNL already offers customers a Wireless in Local Loop (WILL) with a limited mobile application within 10-12 km radius using CDMA technology, but hopes to provide a full-fledged mobile service using the regular GSM technology by June next year.

Rajagopalan has recently managed a licence "after a lot of difficulty" (or so he claims) for cellular services as the third operator in the circles of Mumbai and Delhi, and has earmarked an investment of $300 million (Rs1,300 crore) for the project. MTNL has recently floated tenders for the

equipment and plans to place orders by the end of the year. It will initially start with a network for 100,000 customers in each of the two metros, and then ramp up to 450,000 connections in all by 2002. "We'll begin the service in the first quarter of next year," says Rajagopalan. "We are planning a strategic partnership with SingTel as they have good marketing expertise in the cellular business." The licence conditions do not allow MTNL to rope in an equity partner, so Rajagopalan says he'll simply "pay for their expertise".

The WiLL project, which MTNL began in an experimental form with 1,000 lines in 1996 around Delhi's Bhikaji Cama Place, an important commercial complex, is now being extended as a commercial service to other pockets of the city. MTNL levies a Rs10,000 deposit for the service, the technology for which has been supplied by Qualcomm, and a Rs1,000 rental for each connection, but charges the same rate as for its regular basic service. Though the service, which offers the option of being used as either a fixed line or a mobile unit, has a limited reach of about 10-12 km currently, MTNL plans to cover most of the business districts of Delhi soon. According to MTNL chief general manager (Delhi) A.K. Bhatnagar, MTNL will start with a network of 10,000 lines each in Mumbai and Delhi, of which half are fixed and half mobile, and will go up to 50,000 lines each by 2002.



There is still scope for more connections, says Bhatnagar

Mobile telephony is just one of the several new initiatives in Rajagopalan's action plan to transform MTNL into a fleet-footed operator of international standards, straddling the complete range of telecommunications services in basic, mobile, and value-added services such as the Internet. Not only is Rajagopalan taking MTNL into new areas of business, he is also modernising his entire existing network and improving customer care to take on competition, which MTNL is currently facing in Mumbai, and of which there'll be more in future.

Soon, Rajagopalan plans to add a truly global dimension to MTNL by competing in overseas markets, such as Bangladesh and countries in the Middle East and Africa, and, more importantly, by listing the company's shares on the New York Stock Exchange (NYSE). "MTNL is turning from a caterpillar into a butterfly," says S.D. Saxena, who was until recently MTNL's senior financial adviser and has now been moved to the ministry. Saxena says MTNL will invest over Rs2,000 crore over 3-4 years, of which Rs700 crore will be spent on installing new lines, equipment and services.

Rajagopalan is keenly awaiting conversion of its GDRs into ADRs and listing on NYSE, as he feels it will help him realise the true market potential of the company and increase shareholder value. The United States, he says, is the ideal market to tap as the investor community there understands telecom and it stocks. Also, Indians living in the US have a huge appetite for blue-chip Indian companies, and MTNL should be an ideal pick.

The process of NYSE listing will require MTNL to open its books to greater scrutiny, and the added transparency will help enhance shareholder value. "I'm subjecting myself to a strict form of due diligence which will increase the company's credibility," says he.

MTNL was planning to be the first Indian company on the NYSE, but unfortunately was beaten by ICICI, which listed its shares through an American Depository Receipt (ADR) offering last month. MTNL is still in the process of conforming its accounts to United States Generally Accepted Accounting Practices (GAAP) standards and acquiring clearances from the Securities and Exchange Commission (SEC), which are mandatory for listing on American stock exchanges; the process should be completed in the next 4-6 months. MTNL is currently talking to law firms Shearman & Sterling and Davis Polk and Wardwell to conduct due diligence.

MTNL's shares are already listed on the London Stock Exchange and are open to international investors through a Global Depository Receipts (GDR) offering of 70 million shares floated in December 1997 for $359 million, but that, feels Rajagopalan, has not served to enhance either the shareholder value or the image of the company. He explains that though the GDR float was a global sale, in a crucial market like America the stock could only be offered to institutional investors and not the public, as per SEC laws. In the Far Eastern and European markets, too, the stock was picked up by a small band of investors. Being in a few hands, the stock was often traded in bulk, leading to wild swings in price for no reason other than supply and demand.

"The band within which the stock was moving was very large," says Rajagopalan. We sold each GDR (equivalent to two domestic shares) for $11.96, but the variance we were getting ranged from $10 to $14. It went up to $15 once, but when it started falling, we found the prices were widely varying. It did not reflect the health of the company as profits were going up." MTNL posted a net profit of Rs1,288.3 crore revenues of Rs5,032 crore in 1998-99, up from Rs1,147 crore on a turnover of Rs4,655 crore the previous year. The net profit

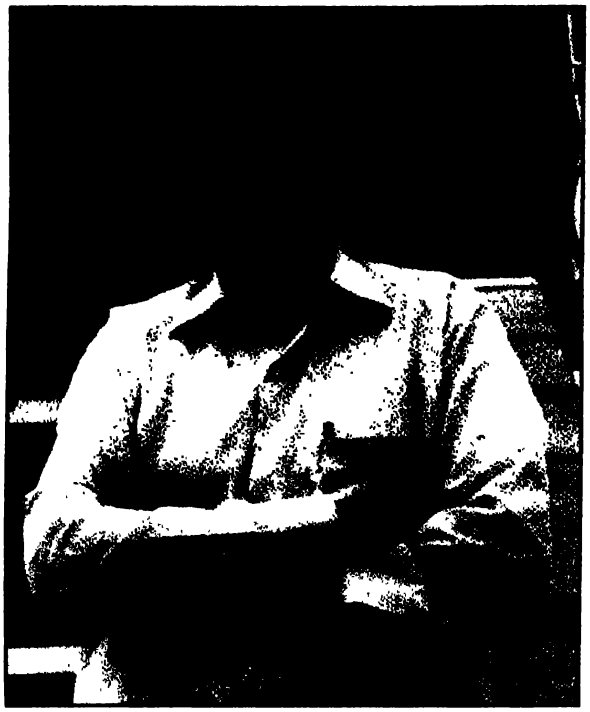
of both years is without taking into account prior period adjustments. Networth in 1998-99 rose to Rs6,249 crore from Rs5,162 crore in 1997-98, on account of asset-building and accrual of funds from the GDR issue. Net profit earned in the first quarter of 1999-2000 was Rs325 crore on revenues of Rs1,263 crore, compared to Rs299 crore on Rs1,281 crore in Q1 1998-99.

Rajagopalan is not planning to raise fresh capital within MTNL through an international public offering, but studying the possibility of converting all or part of the existing GDRs into ADRs and trading on both the London and the New York Stock Exchanges. For this, the existing GDRs may have to be extinguished by getting into the underlying stock, before the ADRs can be issued by the depository bank, in this case the Bank of New York. Most likely one ADR will be issued for each GDR. "We are studying the possibilities," says Rajagopalan. "We'll take a view within a short time." At present the GDRs are quoting at $10.08 (29 September), while the domestic stock is trading at Rs186.

Even as Rajagopalan is working towards the listing, the government, which currently owns 56.25 per cent of MTNL, has decided to divest a portion of its holding in the overseas market. The pre-marketing of the offering (most likely a GDR) is currently on, and the issue will be co-ordinated by investment banks Goldman Sachs, Merrill Lynch, and HSBC, who also co-ordinated the first issue.

While the government is yet to decide the precise time of the offering – sources say it could be anytime in October-November – it plans to sell 19 million shares to raise about $92 million (Rs400 crore), and also offer a similar number to MTNL employees.

Each ADR, which will equal two domestic shares will be priced around $9.5, about $2.5 lower than the issue price of the earlier GDRs. After the offering, the government's stake will come down to 51 per cent, but Rajagopalan feels the government will over time bring its stake down further to 26 per cent.



MTNL is turning into a butterfly, says Saxena

"It is possible the government's policy might change and it might go for further divestment," says Rajagopalan. "These are things likely to happen. It happened with British Telecom. And even with 26 per cent the government could still take major decisions." Now, Rajagopalan is trying to dovetail the listing and the gdr issue, but it seems likely that the issue will hit the market before MTNL completes the NYSE listing requirements.

But before Rajagopalan begins to woo American retail investors, he has first a few issues to deal with at home. For the first time since it was spun off as a separate entity from the Department of Telecommunications (DoT) in 1986, MTNL is facing competition. No private operator has yet bid for a basic services licence in Delhi after HFCL defaulted on its offer, but in Mumbai, Hughes Ispat, a joint venture between Hughes and Alltel and Ispat Industries, has begun offering fixed

Bearish sentiments

A distinguishing feature of the MTNL counter is its depth. In other words, the trading volumes are high. Since January 1998, the average number of shares traded per day on the Bombay Stock Exchange (BSE) is 13.50 lakhs. Although MTNL does not fall in the league of megastars like Reliance Industries and State Bank of India, its depth is appreciated by most dealers. This depth imparts liquidity i.e. entry and exit is easy even if the volumes are large.

A highly liquid counter, an index stock and *nav ratna* status are qualities, which, ideally speaking, should help MTNL's share in scaling stratospheric heights. But this is not so. Since 1998, MTNL has been trading at an average price of Rs200. During the same period it touched a high of Rs279.50 in April 1998. Today it is exchanging hands at Rs186. Listen to what some dealers have to say. "As of now the scope of appreciation on this counter is poor because domestic financial institutions and in particular Unit Trust of India (UTI) are heavy sellers. Whenever the stock crosses Rs200 plus, they go on a selling spree thereby dampening the upward movement." There is yet another view. "Since local institutions are heavy sellers, many fund managers treat MTNL as a trading scrip. Typically they churn the scrip five times in a year with about Rs20 per share as profits. This too has kept the price depressed."

While most dealers and fund managers do not consider MTNL as a long term investment, what do the backroom boys (researchers) feel? A few number crunchers were bearish on this telecom company. They point towards the declining pace of growth in income from services. They add further: "Henceforth rate of growth of both revenues and profits will not be high because of the slowdown in line growth, the inevitable entry of private operators and falling tariffs."

That pace of growth in income from services is falling is a fact. But a very disturbing trend emerges when one sees the income statements of MTNL from 1994-95 till 1998-99. The rate of growth of income from services has been always lesser than

line services through WiLL technology, and has also started laying fibre optic cables in the business districts in south Mumbai.

Soon, there could be more such entrants in both Mumbai and Delhi; the New Telecom Policy 1999 allows for a regulated entry of more players in each service and circle through a bidding process which may take up to July 2000. The new operators could take a year to set up their networks, so analysts feel that by July 2001, MTNL could have further competition from another player in Mumbai and two in Delhi.

However, MTNL cannot be a nimble telecom player unless it is released from the iron grip of DoT. For example, senior executives are transferred between MTNL and DoT as if it is another department. Any major commercial or technological decisions like even offering discounts to bulk users have to be approved by the ministry and so on. The CMD of MTNL, however forward looking, cannot implement his vision as long as he has a small fixed term. His tenure in MTNL is treated in the same manner as just another bureaucrat in the ministry would be treated and not accorded the same importance as a CEO of a corporation whose board decides on his term.

New kids on the block

Rajagopalan knows competition is already upon MTNL and will get fiercer soon. He also has to contend with a slackening in the demand for new connections in both Mumbai and Delhi, which is not the result of competition, but a factor of penetration nearing saturation levels in the two cities. But though MTNL's revenues from fixed line services will almost certainly decline over time, Rajagopalan is confident of maintaining his bottomline by improving service to retain high-value customers, which is Hughes Ispat's main target segment. "From unofficial reports we know they (Hughes) have about 3,000 customers and are building their network aggressively," says Rajagopalan. "They have invested a lot of money. But competition will hot up only after the revenue-sharing agreement comes through. My feeling is the year 2000 will be a crucial period."

Analysts, however, seem worried even now. Most research reports of both international and domestic broking houses have a 'sell' recommendation for MTNL, a position they've maintained since August last year, when competition to MTNL became imminent. Moreover, the tariff re-balancing ordered by the Telecom Regulatory Authority of India (TRAI), the industry watchdog, in May this year, is sure to put pressure on the revenues and profitability of MTNL. Though local call charges have been increased, TRAI plans to bring down domestic and long distance call charges by about 50 per cent over three years. This, of course, will be offset to some extent by the doubling of rental charges to Rs600 per month, when implemented. Otherwise, according to Anand Rathi Securities, a Mumbai-based broking house, the revised tariffs could result in a loss of potential net profit of Rs75 crore in 1999-2000.

But the real trouble, say analysts, is the high vulnerability of MTNL's earnings stream. Currently, over two-thirds of MTNL's revenues comes from just 5 per cent of its customers, and, alarmingly, most of them say they wouldn't mind switching over to Hughes Ispat if it makes an offer. This is the result of a survey conducted by Jardine Fleming earlier this year among MTNL's corporate subscribers. To gauge the effect of competition on MTNL, Jardine spoke to 12 large corporate houses, which have lines ranging from 50 to 800 and generate over Rs1 lakh revenues per line every year compared to the average of Rs14,000 per line.

The survey found that seven of the nine companies to which Hughes had offered its services, had decided to change over completely. Of the other two, one planned to have both operators, while the other said it would shift only after Hughes had been long enough in the market and it had studied its service. The reason for the shift, they said was the quality of service Hughes had promised them. Hughes has committed, besides waiver of the

the pace of net profits. Has the company contained its expenses? The answer is no. Besides declining interest costs other factors have contributed to this unhealthy development. One year it is lower rate of tax, in another high other income, or a combination of lower tax rate, lower tax and high other income so on and so forth.

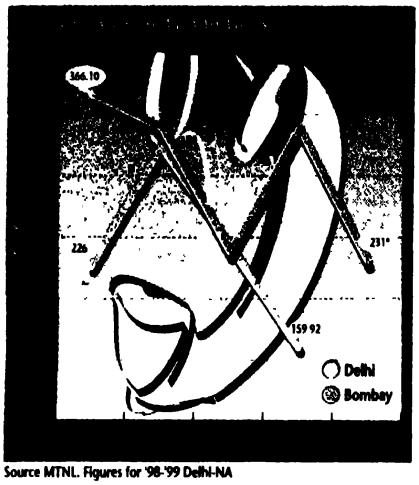
This unhealthy trend is more amplified in the first quarter results of fiscal 1999-2000. The net profit of MTNL, grew 8.39 per cent to Rs325.06 crore thanks to other income and interest costs. And revenue has dipped marginally 1.35 per cent to Rs1,263.67 crore. Analysts partly attribute it to falling call rates (rates were slashed in May 1999) and change in accounting of rentals. While MTNL officials in Mumbai say the market for commercial users has reached a saturation point which partly explains the slower growth in income from services.

Pray, how long can MTNL boost its bottomline in the way it has been doing so far? "Increasing income from services is the biggest challenge before us," say MTNL officials. What would be the scenario if private operators jump into the ring? "As of 1996-97, 4.80 per cent of the subscribers accounted for 54.80 per cent of the pulses (read revenue). Private operators might not find it difficult to wean them away," say analysts. MTNL officials observe as of 1998-99, there has been no significant change in the composition mentioned by analysts. As to what the subscriber base would be, will become clear in another two to three months, they added. Analysts bullish on MTNL have this to say. "Uncertainty in the telecom sector for the past two years has affected MTNL and consequently its share price. Given MTNL's fundamentals and infrastructure, it can withstand competition. After the software sector it is the telecom companies which deserve higher discounting. Look at the multiples of Global Tele Systems and Himachal Futursitic Communications. There is no reason as to why MTNL should not trade at around Rs300 in a year's time." Those bearish feel this company will quote around Rs170 in a year. The views expressed are poles apart. But when has there been unanimity on valuations?

• KRISHNA KUMAR C.N

initial deposit of Rs3,000 charged by MTNL and substantial discounts for high usage, a round-the-clock customer service and guaranteed performance, including 99 per cent up-time with self-imposed penalties for poor performance. It will also provide its customers with a single consolidated bill for multiple lines and locations, thus eliminating administrative delays. Also, new lines will not require cumbersome paperwork, and Hughes will ensure instant connectivity to value-added network services such as ISDN, video-conferencing, Internet and e-mail. Its service also seems attractive as Hughes is likely to adapt faster to newer technologies than MTNL.

Rajagopalan dismisses analysts' fears by pointing out that the tariff rebalancing will actually help MTNL correct the vulnerability of distribution. Currently, the businessman is subsidising the low-users, but in urban areas the subsidy has to disappear. "You have to correct it when you are entering a competitive era," says Rajagopalan. If users in every segment, be it business or domestic, are asked to pay without any cost subsidy, the fear of the network collapsing due to churning of high-end users will not be valid. Another improvement to the revenue stream will come out of renegotiating MTNL's interconnection agreement with DoT, which is slated for March 2000. Currently, MTNL pays Rs900 per line per year to the DoT as licence fees, and shares with it 22 per cent of its revenues. But the ideal rate, feels Rajagopalan, is about 10 per cent. He is now awaiting the TRAI's working



Source MTNL. Figures for '98-'99 Delhi-NA

paper on standardised interconnect agreement, after which he'll renegotiate with the DoT.

MTNL, though, will have to substantially reduce its costs, admits Rajagopalan, to remain competitive. New entrants will typically start with the latest technology which require low manpower, and therefore have a huge cost advantage over MTNL, which currently employs over 65,000 people, including 4,000 officers.

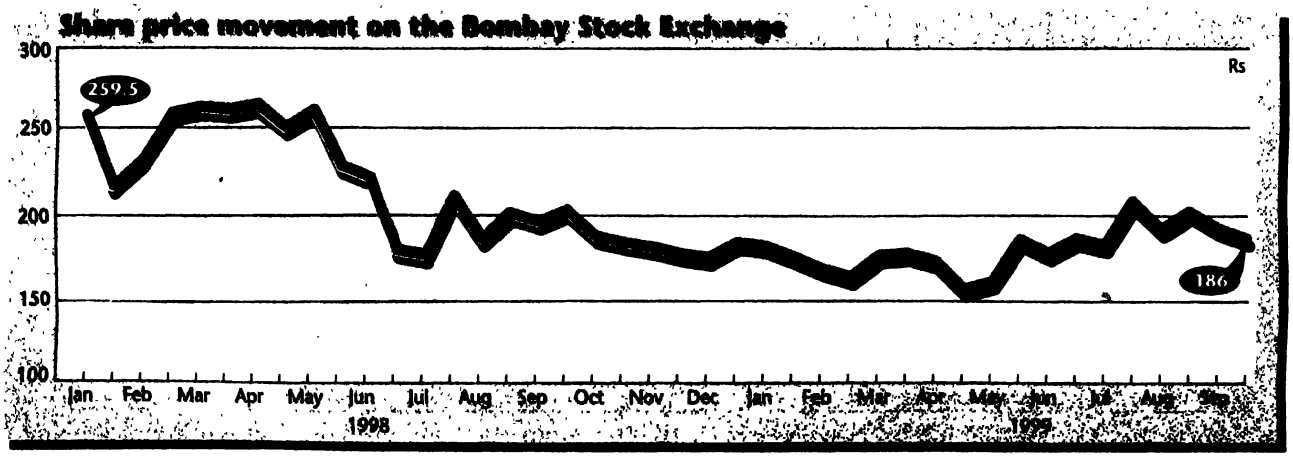
Rajagopalan says he does not have the luxury of hiring and firing, as the private operators, but, a reduction of about 15,000 employees to start with would be ideal. MTNL currently has a limited freeze on recruitment, and soon Rajagopalan plans to introduce an attractive voluntary retirement scheme. Meanwhile, he has introduced a training programme in Delhi to improve the attitude of his staff towards customers, an effort which is costing MTNL Rs10,000 per employee.

However, staff quality is the real Achilles heel of MTNL. After all, it is a service industry. If the complaints of the users are not redressed promptly, if they have to bribe a linesman for minor repairs, if they have to wait for many weeks for connections despite the announced policy of an 48-hour connection, then given a choice they will definitely switch over to the private operators.

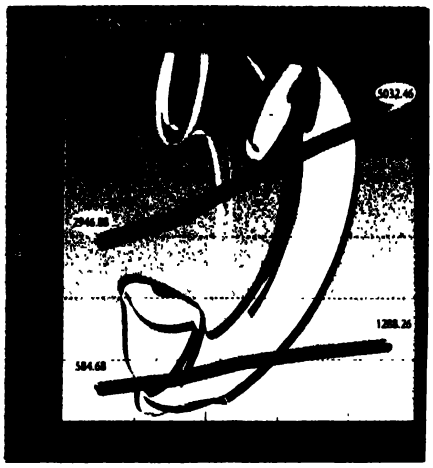
MTNL has, so far, also been slow to respond to the demands of a new telecom environment where data transfers are assuming greater importance than voice calls, but that shortcoming is being rectified fast, says Rajagopalan. Now, MTNL is preparing well for an era, he says, when it will have to, firstly, compete for its market-share in basic services, secondly, cater to the need for a variety of services, and thirdly, face an environment which is changing from voice-centric to data-centric. "Today 94 per cent of my income comes from voice and the rest from telex, data, and the Internet, but that picture will change," says Rajagopalan. "In several developed countries it is the other way and slowly India will also follow this."

The telecom sector, he says, will quickly have to meet the high demands of the tertiary sectors, such as commerce, banking, and insurance. Most sectors will soon be opened up to privatisation and will have to compete with global giants. And how can they unless they have a network which allows transfers in "a millionth of a second?"

So, how does Rajagopalan plan to deal with the change? The first on his to-do list is to achieve a 100 per cent



rate in converting MTNL's 310 exchanges into digital ones, from the current 90 per cent. This he hopes to complete by January-February next year. He plans to combine this with laying new fibre optic cables to hook up important buildings in the business districts of Mumbai and Delhi, and employing new technologies such as ADSL to expand the capacity of the existing copper-based network. ADSL is a new technology which allows normal copper pairs which carry only about 4 kilohertz analogue signal to go up to 155 megabits per second by employing switches at the exchange and the customer ends.

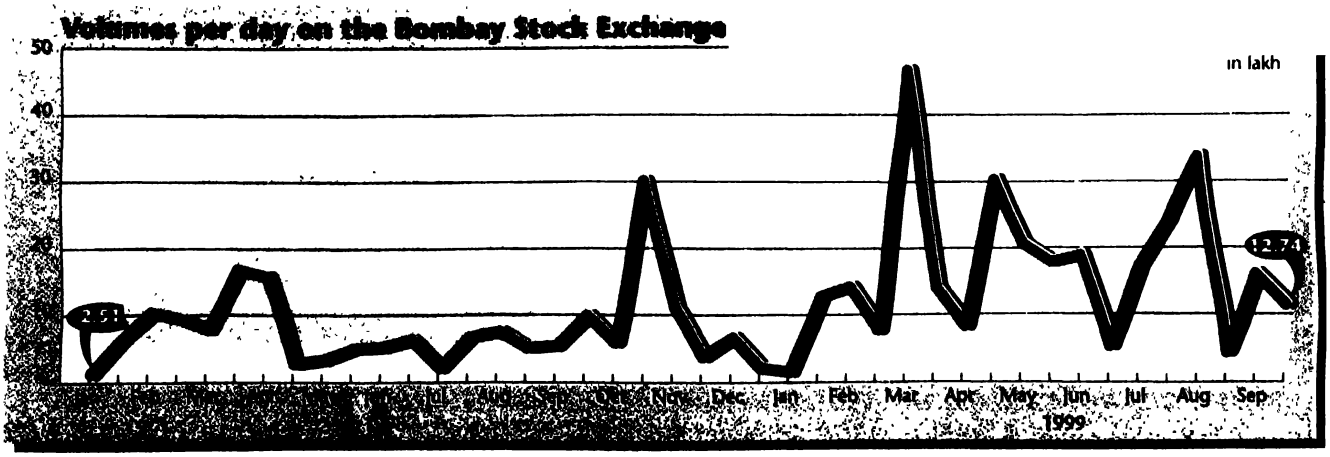


The interesting feature of ADSL is that its direction is asymmetric, that is, it provides a large bandwidth from one end and a small one from the other. This is particularly useful for Internet applications, where a large bandwidth is required to extract a large amount of data very fast, but the width and speed required from the keyboard end is minimal. The other advantage is that it allows voice, and even audio-visual, to piggyback on data. MTNL is currently negotiating with Ericsson for the ADSL equipment, and Ericsson has assured that MTNL would only need to condition some of its copper lines to employ the technology. To begin with, Rajagopalan plans to impart this facility to about 500 commercially important buildings in each of the two cities. "I can't simply wish that all my 3.4 million lines will be digitalised overnight. But ADSL is a technology we can quickly adopt," says he. "The copper is already there, you make the connections and you instantly have wider bandwidth with high reliability."

Along with ADSL, MTNL is also introducing high speed data switches, which use ATN technology, in several of its exchanges. Earlier, data switches were used only in telex. The ATN technology converts information, be it voice, data, or video, or all of them combined into a digital form and then slices it into standard packets. These packets can then be transferred at a very high speed, irrespective of volume. MTNL has already placed orders with C-DoT, and plans to commission two switches, at a cost of Rs10 crore, to begin with at Janpath in Delhi, and Prabhadevi in Mumbai. The plan is to ultimately convert all existing switches into integrated data switches and then to upgrade them to ATN switches. "Convergence is a reality," says Rajagopalan. "I must position myself as a total communications provider."

But even before MTNL achieves that status, it has to contend with a natural fall in demand for new connections in Mumbai and Delhi. The two cities currently have penetration levels of about 15 per cent, compared to the 2 per cent level of the country as a whole. Though this is quite some distance away from the estimated saturation level of 25 per cent for the two cities, and there is, therefore, scope for growth, CGM Bhatnagar feels that potential new customers are perhaps reluctant to go in for new connections because they "consider the registration and the billing procedures a nuisance." Since he took over the CGM (Delhi) chair in April this year, Bhatnagar says he's been noticing a steady fall in demand in Delhi. From 187,199 new subscribers registered in 1996-97, the number fell to 174,483 subscribers the next year and touched 130,226 in 1998-99. Until August this year, the number of new connections totalled 55,553.

To counter the dip in demand, MTNL has started initiating a number of measures to make new connections easily available to customers. The first of these is the opening of one-stop telephone shops, called Telemarts, through which MTNL aims to provide a shopping-like experience to new customers. They can walk into any of eight Telemarts that are currently operational in Delhi and the one in Mumbai, apply for a new telephone, choose the number they want, and even select an instrument of their choice. Bhatnagar says 70 per cent of those applications are being provided connections within 48 hours, and 90 per cent within a week. Also,



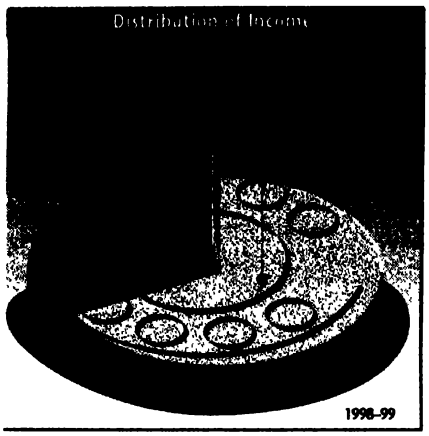
customers can now pay their telephone bills through the Internet, a facility which MTNL is offering with ICICI Bank.

In addition to new telephones, customers can also register for an Internet connection, in which case he is offered a new connection without the normal Rs3,000 registration fee. Such measures are already showing results, says Bhatnagar. Connections in the month of August this year rose to 13,756 in Delhi from 9,857 in May when the Telemarts were introduced. By March next year Bhatnagar expects to open another dozen such marts in Delhi. "MTNL is facing a changed paradigm," says Delhi-based telecom analyst Rajat Kathuria. "For the first time, it is chasing customers, and that's a positive sign."

Banking on Internet

The incentive of a telephone minus registration charges with an Internet account, expects MTNL, will substantially boost the demand for its Internet service. Currently, it has about 8,000 users in Delhi and 9,000 in Mumbai, but has already expanded capacity to 30,000 in both the cities and is placing orders for further demand. Rajagopalan says he expects demand to rise to 100,000 in each city in a year's time. He also plans to generate revenues through MTNL's portal by offering not only business-to-business, and business-to-consumer e-commerce services, but by also linking businesses and the consumers to the government. Their dealing with the government on matters such as income and sales tax is often a cumbersome procedure, explains Rajagopalan, and an electronic link between the two could work wonders.

"I do not want to be a simple access provider," says he. "E-commerce, content provisioning are very attractive opportunities and we could get into these areas through tie-ups." The first to lower access tariff charges among the ISPs, Rajagopalan plans to continue with his competitive pricing strategy. MTNL has adopted a policy of reviewing its access charges every three months, based on market conditions. "The trend the world over is towards



reduced costs," says Rajagopalan. "If the numbers increase, you can more than make up by volumes."

That is exactly his strategy for MTNL's mobile business, too. MTNL's charges for its WiLL service is the same as for its fixed line service, that is, Rs1.40 per three minutes for local calls and the same per pulse for long distance, and it may charge similar attractive rates in the GSM service as well. "We are positioning our service as the common man's mobile phone," says Bhatnagar, dismissing allegations from cellular operators that the only reason MTNL can afford to offer such low rates is because it is subsidising the cost of the service from its fixed line revenues. Bharti Enterprises chairman Sunil Mittal says that at the tariff MTNL is proposing, there's no way its mobile venture can be independently profitable. MTNL's move amounts to predatory pricing, says Mittal, as it would certainly use its monopoly profits to subsidise its mobile operations, which other operators cannot do.

Not true, says Bhatnagar. He points out that a turnkey GSM solution is currently available for about $100 per line, and even after adding 40 per cent duties, it works out to Rs6,000 per line. Even without a minutes usage, the rental charges alone guarantee a 100 per cent return, he says, a more than adequate return on investment. The TRAI and the cellular operators, though, are not impressed. The operators' contention is that MTNL's low rates will eat into their marketshare and further reduce their viability. "It is a zero sum game," agrees Kathuria. "If MTNL gains, the others will lose." TRAI has asked MTNL to explain its mobile pricing policy and the matter is yet to be fully resolved. Reports say that the PMO decided to mediate between the two as it wants to avoid another public spat like the one over tariff revisions between the TRAI and the DoT.

Such hurdles, though, have not held Rajagopalan back. Even as he deals with regulatory issues, he is also planning to extend MTNL's reach into newer markets, both within the country, and abroad. MTNL has recently bid for a 300,000 urban-centric network in Bangladesh in a consortium with TCIL and WorldTel, an investment company run by Sam Pitroda whose mandate is to develop telecom services in under-developed countries. MTNL is also looking for similar opportunities in the Middle East and African countries. "Every country is opening up this sector," observes Rajagopalan. "If the opportunity comes to partner with a big telecom giant, we will do so."

Overseas opportunities apart, MTNL also wants to grow beyond the current two cities in India. When long distance is opened up next year, Rajagopalan plans to bid like any other player. He also plans to ask the government to allot MTNL some of the open telecom circles – West Bengal, for example – where it could be the second operator. The terms of the agreement could be the same as the Rs900 per line, per annum licence fee and the 22 per cent revenue sharing arrangement MTNL has with the DoT, currently. "I feel really constrained operating in 1,000 or 2,000 miles," says Rajagopalan. "We have to expand in all directions." While his ambition to get out of the confines of two cities is appreciated, there still hangs a question. How can he focus on providing world class service in two cities a 1,000 km apart? Is it not more rational to have two MTNLs instead of one?

Over the next few months, Rajagopalan's initiatives could well prompt analysts to revise their now-reserved views on the stock. Says Kathuria: "Rajagopalan has the vision, but it will take time for the vision to percolate down to the employees." That could be Rajagopalan's toughest task yet.

♦INDRANIL GHOSH

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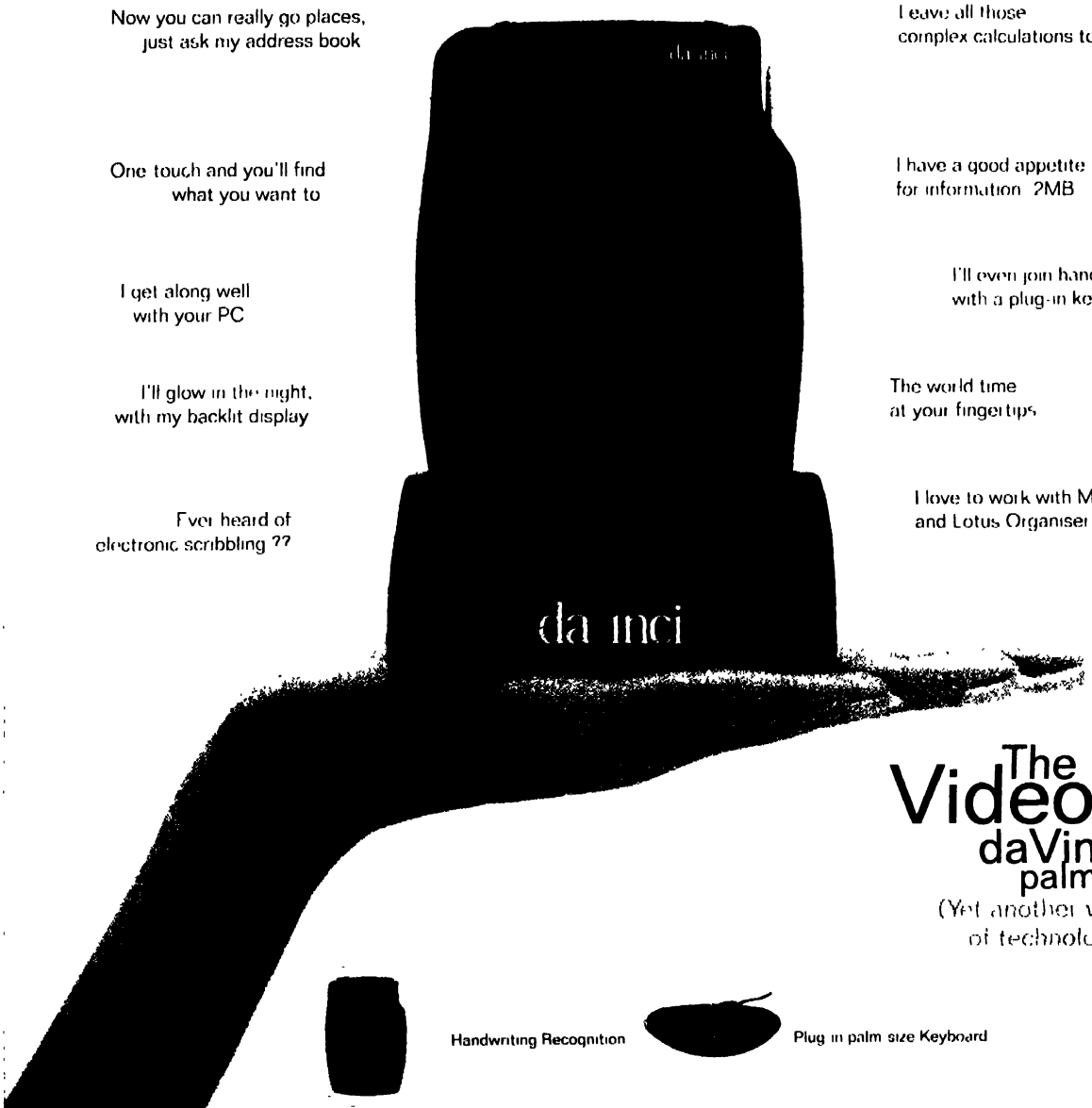
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Indian tourism: twopennyworth?



PHOTOS UTAN

Folk singers serenading tourists

World Tourism Day – September 27 – has come and gone, passing India by once again. There were the usual tourism and travel trade gatherings where the usual platitudes about the great potential offered by tourism were mouthed by the usual people. It's been like that for 30 years and nothing is about to change

The Indian travel trade met this fortnight for yet another jamboree, this time in Bangalore for the annual convention of the Travel Agents Association of India (TAAI). The theme chosen for the convention was 'New Frontiers, Great Opportunities'. The usual suspects from the travel trade – sundry tour operators and hoteliers – made all-too-familiar noises about the great potential of tourism and quickly dispersed for the various cocktails and sit-down dinners.

At the end of the three-day rendezvous, marked by much back-slapping and bonhomie, it can be safely predicted that the participants will go back to working at cross-purposes with one another and the usual whining – about government apathy and the absence of any sort of fillip to the tourism sector – will begin. Speak to the veterans of the travel trade and they will predictably lament the hopelessness of their cause. "We've been telling the government what needs to be done to tap the enormous potential offered by the tourism sector for the last 30 years!" the veterans rail. Depending on the age of the industry person you speak to, it can change to 10 years or 20, or 40, but the lament remains the same.

Press them hard and you will arrive at the real truth: the tourism industry almost never speaks in one voice. The slew of travel agents' and hoteliers' associations have their own agenda, for which they lobby untiringly with the government. In a sense, these sundry associations can be likened to the small political parties that strive to extract their pound of flesh from the principal coalition partner. Last year, when the government sprung a surprise on the industry by announcing the Visit India Year, widespread cynicism greeted the decision. Yet, instead of convincing the government that such an ambitious initiative necessarily required enough lead time to have any chance of succeeding, the industry acquiesced to participate in the ill-planned initiative.

The Visit India fiasco

Not a little embarrassed by frequent pillorying from the media for having agreed to an impossible task, the travel trade resorted to the ruse of repeating *ad nauseam* that in India we always wait for the nth hour to do what we need to do and no amount of lead time was going to be enough. "Let's do it,"

the industry bigwigs pronounced. The initiative was never likely to succeed. After all, at the time the industry agreed to cooperate with the government in making the Visit India Year a success, it was already too late for India to be included on the itineraries of the leading tour operators. International travel companies had already published their brochures and India was nowhere on them. The person at whom the Visit India initiative was aimed – the international tourist in US, Europe, or the Far East planning his holiday – remained blissfully unaware that he was being wooed.

The war at Kargil heights provided the government and the travel industry with just the right excuse for the predictable failure of the Visit India Year. "We were ready," went their defence, "but political uncertainty, followed by the ruinous Indo-Pakistan conflict, threw the effort completely off-track." The last time the Visit India initiative was tried, in 1991, Rajiv Gandhi's assassination and the Gulf War came in as handy excuses to explain why it proved to be a non-starter.

Amazingly, however, the two top tourism bureaucrats view the fallout of Kargil for Indian tourism differently. Tourism secretary M.P. Bezbaruah is of the view that the Kargil conflict took heavy toll of tourist traffic "and the first half of 1999-2000 witnessed no more than 6 per cent growth". On the other hand Ashok Pradhan, director-general of tourism, feels the fallout of Kargil has been positive for tourism. "Actually," he says, "Kargil has been the biggest build-up that India has had recently. It has been a political and diplomatic victory with every country, including the US, being with India." Incidentally, Pradhan places the growth in tourist arrivals in the first half of the financial year at 4.3 per cent.

The manner in which the Visit India Year has fizzled out is a damning indictment of the bureaucratic ineptitude and the travel industry's lack of concern. To begin with, for reasons best known to the ministry, the Visit India Year was scheduled between 1 April 1999 and 31 March 2000. The feedback on this decision from overseas was negative. After all, what sense did it make to consider the financial year for tourism promotion? Overseas markets weren't sure whether 1999 was the Visit India Year or 2000. Thereafter, as there were no signs of a spurt in inbound tourist traffic, it was decided to rename it 'Explore India in the Millennium Year'. Ask top tourism ministry bureaucrats about the change and they shuffle uncomfortably and then weakly offer something of an explanation: "We thought it would be good to stress that, given the rich heritage and cultural diversity of India, a 'visit' to India was not enough — you needed to 'explore' India." Convinced?

Harsh Varma, regional representative for Asia and the Pacific at the



What's the use of aiming for 5 million tourists if there aren't enough airline seats to get them here, asks Goyal

World Tourism Organisation, however, thinks it's too early to dub Explore India a failure. "Tour operators and travel agents, who are the real interpreters and coordinators of tourism demand in the developed countries, have taken note of Explore India and a number of new packages have featured in their winter brochures. But attention is momentary, while interest is more lasting. Real success would be achieved only when actual sales take place. A clear picture would emerge around mid-October, when booking patterns take shape."

The Khurana factor

Most in the Indian travel industry, however, are scarcely chary about pronouncing Explore India "an abject failure". But some of the more pragmatic travel industry representatives had hoped that making the Explore India in the Millennium Year (EIMY) a success would be a matter of prestige for the government and that it would make a supreme effort in publicising India as a viable and dynamic destination, especially at a time when other destinations in the Far East – Thailand, Indonesia, the Philippines, Malaysia, *et al* – had virtually knocked India out of contention. Indeed, the year was pushed aggressively at the World Travel Market in London and ITB in Berlin.

But the promised never-before India blitz never came. Some of it, according to the industry, can be blamed on politics. Madan Lal Khurana, whose brainwave the year was, made an unceremonious exit from the tourism ministry even before the year could take off. His successor, Ananth Kumar, showed little interest in pursuing the initiative.

Delusions of grandeur may have been at the heart of Khurana's decision to have a Visit India Year, but in his short tenure he understood the requirements of the ministry and pursued them with the cabinet more doggedly than any other tourism minister. For instance, he had the annual budget of the ministry raised from Rs100 crore to Rs160 crore. He also succeeded in getting export house status granted to the tourism industry. Most importantly, Khurana was set to persuade the government that inbound tourism could only be given a significant fillip by simplifying visa formalities. Khurana was reported to be in agreement with the industry's demand that visas be granted on arrival in India to foreign tourists. Unfortunately, he quit the cabinet abruptly.

Visa on arrival, most industry observers aver, would have given inbound tourism a great shot in the arm. Subhash Goyal, chairman of Stic Travels and president of the Indian Tour Operators' Association (ITOA), says visa-related hindrances put off a great number of tourists. To attract

tourists you need tourist-friendly measures, he says, and adds that visa on arrival would have sent the right signals. The 13-member national task force on infrastructure for tourism has gone a step further and suggested that, for important markets like US, Europe, and Japan, visas be abolished altogether, and for other markets an automatic entry facility be made available on arrival.

The other important thing that the industry asked the government was to increase air capacity. "We said that all pending bilaterals, including new airlines that want to fly into India, and those that want to increase their frequencies, be cleared to allow foreign tourists to come into the country in significantly large numbers," says Goyal.

The cost of molly-coddling

On this there is absolute unanimity in the travel industry. As the erudite Prem Subramaniam of the British Tourist Authority (BTA) puts it, "You need to expand the market, not protect the national carrier — that is the realisation that needs to dawn on the government soon." What is actually happening is, in fact, the contrary: airlines are pulling out or decreasing frequencies. Both United Airlines and Air Canada have pulled out and some other carriers, including Royal Jordanian, are reported to be considering following suit.

Mega-carriers like British Airways, KLM, Singapore Airlines, and Cathay Pacific have been discussing the possibility of increasing their frequencies to India with the civil aviation ministry but are not being permitted. The government is busy molly-coddling Air-India, the teetering national carrier. Uttam Dave, a New Delhi-based tourism consultant says, "If no seats are available on flights into India and no capacity increases are going to be allowed, how did the government expect foreign tourists to make a beeline for India during EIMY?"

Goyal puts it more dramatically. He refers to the statement made by Prime Minister Atal Behari Vajpayee on 1 April 1999, while inaugurating the Visit India Year, when he said the tourism industry should aim for five million tourists. "That's all very well," says Goyal, "but how will they come into India? Will they swim across the ocean or grow feathers and fly? Total airline seats available in inbound flights are between 2.4 and 2.6 million. If there is no increase in capacity, how can traffic grow?"

With Air-India (A-I) driving a hard bargain and not letting the government allow carriers 10 or 20 times its own size to increase their frequencies, the prospects for tourism can only be bleak. Nandini Verma, vice-president (corporate affairs) of Jet Airways, puts it this way: "The policy of reciprocity is misplaced." In its report submitted to the government, the 13-member national task force, headed by Ravi Bhoothalingam, president of the Oberoi group, also recommends rescinding the principle of reciprocity. "We must," the report avers, "espouse an open skies strategy, encourage charter flights into the country, and rescind reciprocity."

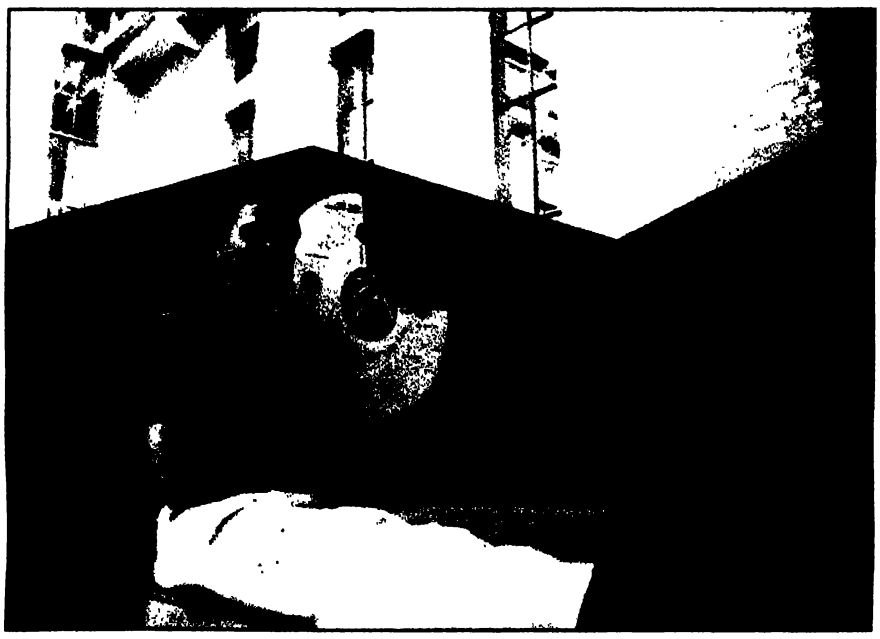
What's more, A-I's decision to pull out of two key destinations in the European market – Frankfurt and Rome – has had an adverse impact on inbound tourism. DRV, Germany's national body of travel agents, had planned its annual Destination Conference in New Delhi this May. A-I was to fly the German participants at a fare discounted by 75 per cent. The conference was expected to provide a boost to inbound traffic. But A-I threw a spanner in the works. Weeks before the Destination Conference, it announced that it was withdrawing flights to and from Frankfurt and Rome.

The move left the travel trade aghast. Especially as Germany is India's third most important tourism market, just behind Britain and the United States. A tourism ministry bureaucrat says: "It may be understandable that it is a decision made by A-I keeping financial viability in mind and if the 110,000-odd German tourists who come into India every year can be serviced by carriers like Lufthansa and SAS, that's fine. But the timing of the decision shows how there are no synergies in the government."

The travel industry is particularly peeved with the government over the withdrawal of A-I flights in and out of Frankfurt, particularly as the cancellation of the DRV conference defeated the purpose of promoting tourism. "Doesn't it make EIMY seem meaningless?" asks Verma. Adds Goyal, "Couldn't A-I in the very least have delayed the move?"

Marketing is the Achilles Heel

All other shortcomings of the Indian tourism sector pale in comparison with the staggering inefficiency in marketing the tourism product. Various committees and reports have stressed



India needs to be marketed differently in different countries, says Subramaniam



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An amazing campaign

While Indian tourism has floundered once again in its Explore India initiative, the runaway success of the Amazing Thailand 1998–2000 campaign shows what can be done to boost tourism earnings. While India is perceived as an overpriced product, Thailand has shown what value for money is. "Thailand," says the WTO's Harsh Varma, "has taken advantage of its devalued currency and offered extremely inexpensive packages — the advantage of devalued currency was passed on to consumers."

The task of promoting Amazing Thailand was with the Thailand Tourist Authority (TAT) and the entire industry supported the initiative. In cooperation with tour operators, TAT packaged the product enticingly and promoted facets of travel to Thailand that were identified as being unique to the kingdom. The entire thrust was towards ensuring that Amazing Thailand lived up to its name and that every tourist who visited the country during the period came away with the feeling of having been a part of something special.

Specific markets were targeted for promotion. China in recent times has emerged as one of the most important visitor-source markets for Thailand with 571,000 Chinese tourists in 1998, up by more than 29 per cent from 1997. Tourism has grown because of extensive airline contacts and the visa-on-arrival facilities granted to Chinese visitors at Thai border checkpoints. A number of special-priced packages were offered to Chinese tour operators, focusing on the Amazing Shopping Paradise, Amazing Thai Arts and Life, and Amazing Taste of Thailand. These were well received by Chinese tour operators and served to diversify the content of Thailand tours in the China market — away from the stereotype packages covering Bangkok–Pattaya–Chiang Mai and nearby provinces.

The Thai department of aviation helped in the Amazing Thailand effort by introducing additional flight capacity, allowing the China Yunnan Airlines 3Q additional flights. If even half this effort had been made to promote India meaningfully, something may indeed have come out of the Explore India in the Millennium Year.

• SANJEEV VERMA

the need to professionalise marketing, but so far it has failed to stir the government. Bureaucrats in the unsightly Transport Bhawan on Parliament Street, which houses the tourism ministry, are loth to let go of their power. The 18 Government of India Tourist Offices (GOITOS) overseas are meant to promote inbound travel, but there is usually a scramble for these foreign postings and incumbents are unwilling to leave their posting even at the end of their term, lobbying hard with politicians and powerful bureaucrats in the government.

Famously, one GOITO officer in the Middle East used the funds available to him for tourism promotion for organising lavish get-togethers on such occasions as the Independence Day and Republic Day. He would invite Indians living in that country to attend and serve them with 'tirangi' *burfi*. Another GOITO officer was reputed for travelling frequently to the Middle East countries and collecting visiting cards from people at the airport and producing long lists of names of people he had met to promote India.

GOITOS are a den of corruption and incompetence. Besides, given scarce resources, there are offices even in markets that are unlikely to generate much tourist traffic, among them South America. And the tourism ministry is also considering opening an office in Korea. Travel industry observers point out that these new offices do virtually nothing. In any case, it is difficult logistically to promote any tourism from South America. The geographical distance being what it is and the attendant complications of flying from, say, Rio de Janeiro or Buenos Aires to New Delhi or Mumbai are such that only the most determined Indophile will want to undertake the journey.

The numbers tell their own story. In 1998, some 3,000 Argentinians and 6,000 Brazilians travelled to India. Compare that with nearly 250,000 Americans and 400,000 Britons. Most travel industry analysts have been pointing out the need for the government to concentrate on primary markets – such as the UK, the US, Europe, and the Far East – and not spread its resources too thin. The message has failed to get through for long. However, a recent emergency audit ordered by the finance ministry could spoil the party for the tourism ministry. The finance ministry has upbraided tourism planners for spending half of its Rs160 crore budget on GOITOS, which achieve little or nothing. The finance ministry proposes that at least eight of these offices be closed down.

The WTO's Varma agrees that there is no sense in spreading scarce resources thinly. "The efforts," he says, "should be confined to high-potential markets which have the capacity not only to provide numbers but also numbers with quality — a higher per-capita-per-day spend."

Peddling clichéd images

Also, there is lack of any lateral thinking on the part of the government about the function of the GOITOS. Tourism director general Pradhan confidently asserts that, as a government body, "we cannot market anything; we can only promote India generically". So, GOITOS in different parts of the world peddle the same standard hybrid images of India — the Taj Mahal, deserts of Rajasthan, coastal Kerala, *et al*. No attempt is made at finding out precisely what would excite people of different nationalities into taking a trip to India.

As the WTO's Varma points out, there is an over-reliance on cultural tourism with the Golden Triangle as the beaten path. "Recreation and leisure," he says, "are 'in' these days and tourists spend more time on activities which they can undertake themselves, e.g. water sports, adventure tourism, ecotourism, etc. In my opinion the traditional Indian tourism product has become stale and is now showing signs of product fatigue. It must be renovated with a new look and something

value-added thrown in."

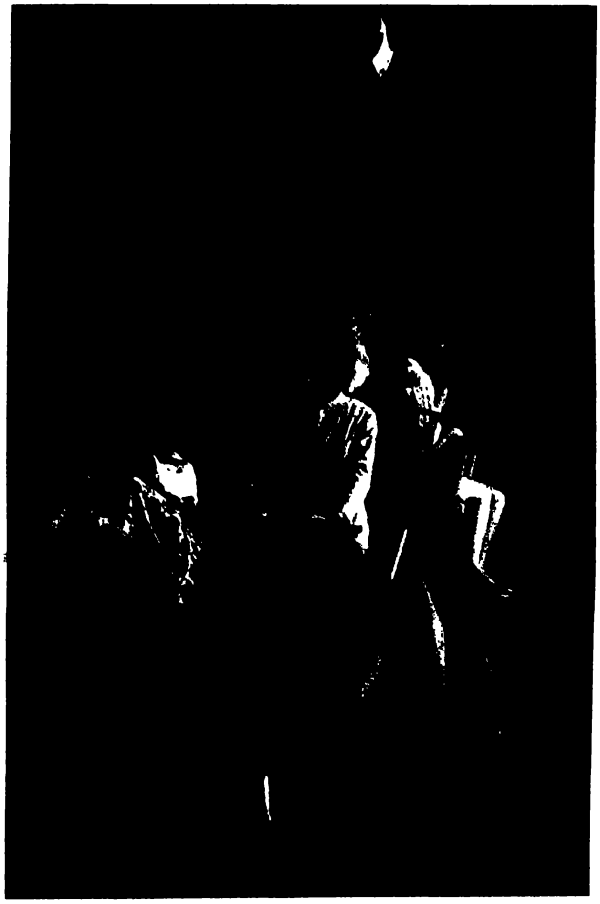
India's tourism planners need to look at markets individually; the days of the homogenised tourism product are over. Nandini Verma says the French, for instance, would respond to a promotion that highlights Indian culture, while the Germans need to be sold beaches. In the Middle East it makes sense to promote India as a shopping destination, rather than heap encomiums on the deserts of Rajasthan.

The Japanese market makes an interesting case study. It is an important market for every country, given Japan's commitment that there will soon be 10 million outbound Japanese travellers. Currently, India gets no more than 75,000 Japanese tourists. As Prem Subramaniam points out, it would make sense for India to find out what attractions would most interest the Japanese and specifically promote those in that market. The Buddhist pilgrimage centres are an obvious choice. Some less obvious areas would be theatre, pottery, tea, lush gardens, etc.

Britain, which annually receives 600,000 Japanese tourists, conducted thorough research into the Japanese market and found the Japanese single working woman to be the most conspicuous traveller and could scarcely be expected to relate to the normal British promotional images — of beefeaters, bowler hats, and football. For the Japanese market, then, BTA mounted other campaigns, which stressed the more feminine aspects of Britain. One of the campaigns, called Tea and Roses, was particularly successful.

India would be an alluring destination for the Japanese single working woman if only publicity campaigns in the market there emphasised safety aspects. Promoting the country as a shoppers' paradise should also bring rich dividends. Add to that the fact that the Japanese by and large tend to be insular in their tastes. It would help, says Nandini Verma, if top hotels printed their breakfast menu in Japanese as well. In European markets these things are almost *de rigueur*.

Tourism planners would do well to come up with specific strategies to make tourists from various regions of the world feel comfortable and wanted. Europeans, for instance, are used to having dinner at about 6 O' clock in the evening. Most speciality restaurants do not open for dinner until 7.30 or 8 pm. This leaves European tourists with no choice but to eat at coffee shops.



Foreign tourists often leave with the impression of having been taken for a ride, not necessarily on an elephant

India is not a death-trap

Security, research has revealed, is an aspect of overwhelming concern for tourists in such attractive markets as the US, Europe, and Japan. It doesn't help to constantly bemoan the negative publicity that India tends to get in the Western media. "There would seem to be no option but to live with it," says Subramaniam. It would help to use celebrity Indophiles – Eric Newby, Dominique Lapierre, or Paul Theroux – to focus on the safety aspects and have them talk about why India enchants them. Rather than denying outright that safety is a problem (a posture that would run into credibility problems), it would be better to emphasise that, if a tourist takes adequate safeguards, he or she would be fine.

Subramaniam points to two specific instances that India's tourism planners could have used to stress that tourists in India are no more or less in danger than in Europe or the US. When Sir Colin Marshall, the legendary chairman of British Airways, returned to London after a trip to India at the time of the plague, he was asked by reporters about it at Heathrow. "I don't know about the plague, but I've got a cold landing at Heathrow!" Sir Colin is reported to have said. A clever tourism marketing professional would have gone to town with that statement.

The other example concerns a damning statement made by Swedish tennis star Stefan Edberg many years ago at the time when he was one of the world's finest players. Edberg refused to travel to India because he said he feared he might not survive the various diseases in the country. Edberg's statement, predictably, drew a storm of protest from the Indian government and the media. For weeks the Swedish tennis star was pilloried for his 'insensitive' and 'baseless' remarks. Subramaniam is of the view that it would have been more effective to get 10 Swedes, either living in India or frequent travellers, to say that Edberg's fears were unfounded.

The Indian tourism industry needs to address a perception most tourists go away with — of having been cheated. This problem manifests itself in so many different ways — from being overcharged by the cab driver to even a premium travelling experience leaving tourists feeling short-changed. For Nandini Verma this is a

priority area. "We must change the image that overseas tourists have of India that everybody is out to cheat them," she says.

Consider the experience of Claudia and Alfredo Canetta. One fine Wednesday recently, they undertook a journey on Palace on Wheels and returned totally enchanted by the sights and smells of Rajasthan. But the Canettas could not shrug off the feeling of having been somewhat cheated. The journey cost the young Italian couple nearly $5,000 (it's $2,275 per person for seven nights) and, they later lamented, even at that price they had to share their coupé with two complete strangers. "It is a memorable journey and you are paying a phenomenal price and still there's no privacy. You can't cuddle up with your wife or change into your pyjamas at night. At no stage was there any indication given by the organisers that there would be other people in the same coupé. One feels cheated."



Tent tourism was a casualty of the indifference of self-promoting bureaucrat

Save tourism from touts

There are legions of harrowing stories about how tourists have been harassed and cheated by touts hanging around forts and palaces. To get a sample of the menace you need to spend an hour or two in the morning at the magnificent Amer Fort in Jaipur. The elephant ride into the fort is a high point of the experience for most tourists, but ask someone how it was and you would hear the usual oohs and aahs, as also tales of incessant harassment from the touts.

Shopping in Indian tourist destinations, of course, is nothing short of a scandal. All manner of shops selling mementos and curios – from the biggest stores in Delhi to the smallest in Agra or Khajuraho – pay hefty commissions to tour operators, taxi services, autorickshaw drivers, *et al*, for bringing tourists into the shops. Unsuspecting tourists come into these shops only to be fleeced. Virtually everyone in the travel trade is on the take in this clandestine business. What's surprising is that almost everybody is aware of it but nobody does anything about it. There have been countless complaints to the Indian government about how high-priced items purchased from these curio shops turned out to be fakes, or were sold at mark-ups 50 to 100 times their actual price. But the problems remains unaddressed. Meanwhile the clandestine trade continues to thrive in tourist centres.

Some committed travel industry voices have advised the tourism ministry to introduce some checks on shopping at tourist spots. The chief executive of a mid-sized Delhi-based travel company, on condition of anonymity, says the solution to the problem lies in introducing shopping areas in the tourist complexes and keeping a check that whatever is being sold is genuine and not prohibitively priced. Another travel industry observer, however, believes it would be impossible to implement such a system. He thinks the solution lies only in instilling a sense of pride in people who run these stores. "They should be proud that they are selling something typically Indian to an overseas guest and not sell anything shoddy," he feels.

Committed professionals needed

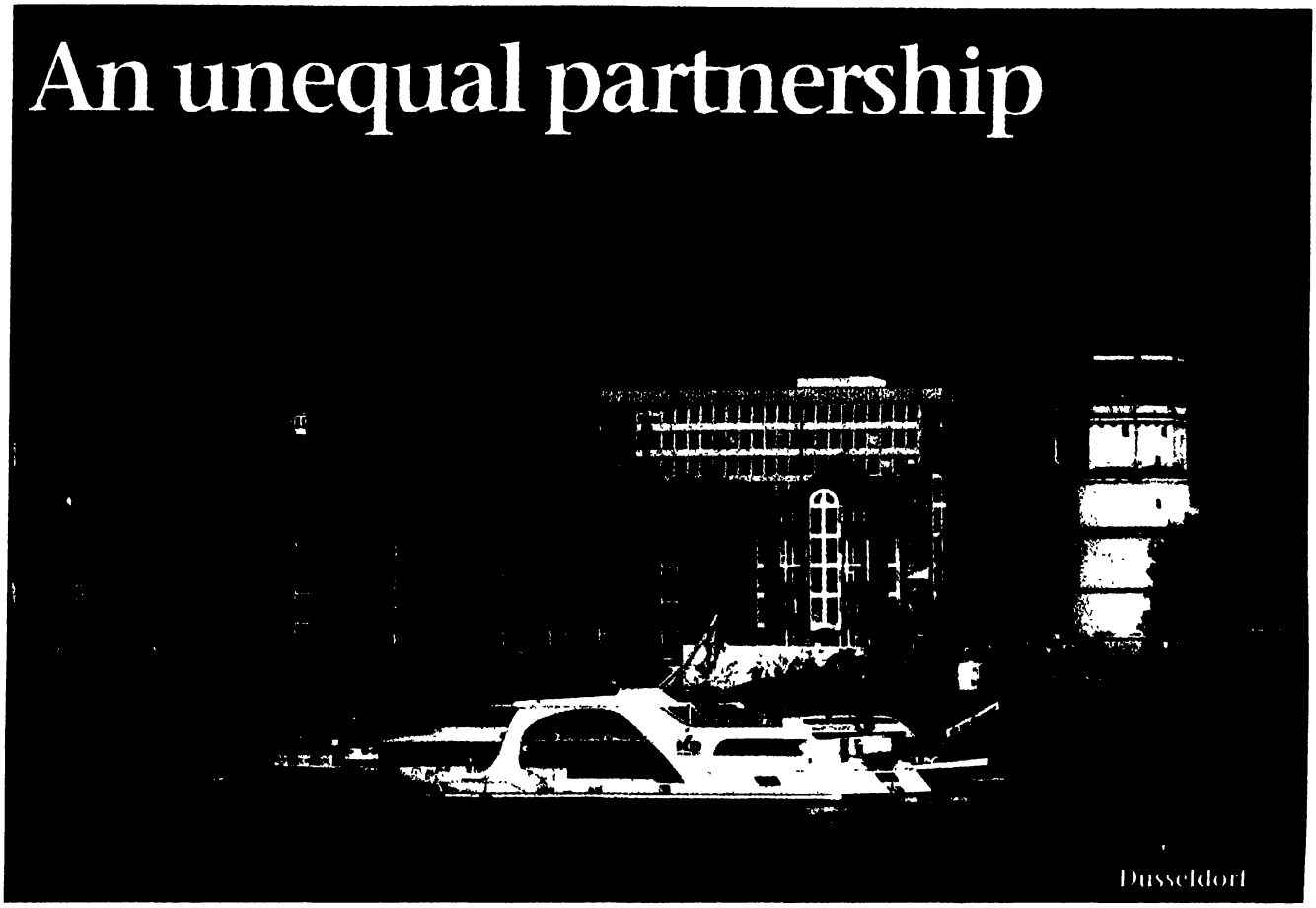
Talk to anyone in the industry. The verdict is that the most critical, and problematic, area is that of marketing. This sector of the economy is crying out for committed professionals, not self-seeking bureaucrats and mercenary travel agents. The national task force on tourism in its report has strongly recommended to the government that an autonomous national tourism promotion board be set up on the lines of BTA or the Singapore Tourist Board. The report recommends that funding could be provided from the hotel expenditure tax collected by the government, in addition to budgetary allocations.

Indian tourism has indeed suffered from being in the hands of bureaucrats indulging in self-promotion and little else. For instance, a former director-general of tourism introduced the concept of tented tourism in key tourist areas. The idea had potential, but once a new DG came in it died a natural death. All successive DGs have had their pet projects but most of these initiatives, some of them laudable, have suffered on account of lack of continuity at the top. A tourism promotion board with a respected leader from the industry at its helm could solve this problem, apart from rescuing the sector from the clutches of inept bureaucrats.

Subhash Goyal is fond of calling India as the greatest show on planet earth. Indeed it is. But to throw open the doors to this greatest show of them all, Indian tourism needs initiatives that go beyond the 'tirangi burfi'.

• SANJEEV VERMA

An unequal partnership



As with most industrialised countries India does business with, New Delhi hails Germany as a major trading partner, whereas in German eyes our country of a billion with aspirations towards a heightened global stature is essentially just another nominal market

One cannot help recall former finance minister Manmohan Singh's high-sounding assessment: "There is no parallel example in the world of a country of India's size and diversity seeking to bring about a massive social and economic transformation in the framework of a democratic polity and an open society committed to the rule of law and individual freedom." Or the current government's official line that "India is an open economy in the process of integrating with the world economy".

On the face of it, Germany professes a patronising enthusiasm for India's programme of economic liberalisation first ushered in 1991. Such euphoria has scarcely translated into a really meaningful partnership. Germany is India's third largest trading partner, behind only the US and the UK, the third largest supplier of goods, providing 5.5 per cent of India's import requirements, and the fifth largest buyer of Indian goods, accounting for 5 per cent of India's exports. In contrast, India is placed a dismal 31st among the global suppliers to Germany and 37th on the list of buyers of German goods.

Even among Asian countries that Germany trades with, India ranks eighth, behind, of course, Japan, China, and South Korea, but also Taiwan, Singapore, Hong Kong, and Malaysia. Asia has a 12 per cent share in Germany's total foreign trade and is the second most important zone after the European Union (EU). While bilateral trade with Japan amounted to DM58.9 billion in 1998 and with China DM34.9 billion, the tally for India was DM8.1 billion.

Hilde Welte, head of the South Asia, Turkey, and Israel division of the Federal Economics and Technology Ministry, does not mince words in her explanation for this. Talking to *Business India* at her office in Bonn recently, she noted, "India's political instability and restrictive régimes yet in place are making German investors hesitant." According to her, India has erected a high barrier round itself through restrictions on imports and daunting custom tariffs like the excessive additional duty rates and the special additional duty. At the same time, New Delhi is demanding that Germany relax its own import restraints as regards agricultural produce and textiles, she acknowledges. It has also sought a renegotiation of the Trade Related Intellectual Property Rights (TRIPS) agreement with the World Trade Organisation (WTO) that takes effect from 1 January

2000, she declares.

Both Welte and her deputy, Hans-Dieter Spohn, maintain that the 1991 reforms did rouse high expectations in Germany, but the rapid change of governments, and consequently of trade and investment policy, are undermining investor confidence. "India desperately requires better infrastructure by way of new roads, railways, air- and seaports, power generation, and the like, but there was the unfortunate instance of bureaucracy derailing proposals submitted by Siemens and ABB for two power plants in December 1995," Welte recalls.

Many advantages, nevertheless...

On the upside, Welte and Spohn underscore India's potential as a burgeoning market owing to its enormous reserve of technical and scientific manpower, phenomenal advancements in computer software, a vast and affordable labour force, and a viable legal system ("At least better than Saudi Arabia's and Iran's" they concede). They nevertheless assert that, while it is nowadays crucial for each country to project itself aggressively as a significant investment destination if it is serious about making a mark in international commerce, India is just not positioning itself accordingly.

Dr Guenter Krueger, director-general of the 43-year-old Mumbai-based Indo-German Chamber of Commerce (IGCC), remarks that the depressed level of trade between the two countries is not exceptional, as German business is lopsidedly tilted towards its industrialised partners like the US, France, the Netherlands, the UK, Italy, Japan, and China. But he does concede that Welte and Spohn reflect the general mood of the Germans, who believe that while India talks much about liberalisation, the ground realities do not reflect this adequately. "It is likely that India's benchmarks for reform are different from those of Germany, but there is always the unpredictability associated with them," he observes. "The scope of liberalisation can change any time with a change of government."

India is, however, at pains to assure all potential foreign investors that "economic reform commands a national consensus spanning all political parties and is irreversible". Its missions in Germany broadcast the official sentiments that the far-reaching economic reforms have thrown up vast opportunities for business in India, which has a huge market of nearly 300 million people in its growing middle class. "India is one of the top 10 big emerging markets today," they crow. "It provides an abundance of natural resources, a rich mineral base, and one of the largest reservoirs of skilled people; it is a good base for sourcing production for both the domestic market and export and provides a stable democratic environment in which political and economic institutions function in harmony." They also add that India has a free press and a strong and independent judicial system, while English is the language of commerce and administration.

Diplomatic sources also indicate that the other assurances they project are about further simplification of the tax system, reduction in customs duties and rationalisation of excise duties, reforms in the insurance sector, phasing out of remaining quantitative restrictions on consumer goods imports, more schemes to attract foreign and private investment in infrastructure sectors, reforms in labour policies, full rupee convertibility, and reform of public sector enterprises. Krueger too is confident that the stagnating trade will have an upswing once again. "But I don't anticipate anything spectacular happening here, because German businessmen are an impatient lot and tend to lose interest if they have to scythe their way through tedious procedures," he adds. His IGCC is one of the most important institutions promoting Indo-German trade relations and, with more than 6,000 members, the largest German chamber abroad. It has its head office in Mumbai and branch offices in New Delhi, Chennai, Calcutta, and Bangalore, apart from liaison offices in Hyderabad and Düsseldorf.

Conversely, however, many big Indian players appear to be holding themselves back from exploiting the huge potential in doing business with Germany. IGCC's director (trade fairs) K.C. Damodaran points out, "Major

Indo-German trade

(in DM million)

	1990	1993	1994	1995	1996	1997	1998
Indian exports	2510	3227	3491	3602	3957	4151	4229
	(+20.2)	(+8.2)	(+3.2)	(+9.9)	(+4.9)	(+1.9)	
Indian imports	2731	3005	3341	4574	4685	4456	3873
	(+5.7)	(+11.2)	(+36.9)	(+2.4)	(-4.9)	(-13.1)	
Total trade	5241	6233	6833	8177	8643	8608	8102
	(+12.7)	(+9.6)	(+19.6)	(+5.7)	(-0.4)	(-5.9)	

We must be in Munich

With the reunified metropolis of Berlin becoming the new capital city of the Federal Republic of Germany (FRG) in August, India's embassy too is caught up in the gargantuan shift of ministries, missions, and government offices from Bonn.

India's ambassador to Germany Ronen Sen says half the embassy's staff of 90 have already moved out to Berlin and he will be following suit by mid-October. "We, however, wish to retain a residual presence in Bonn a while longer and also strengthen our consulates-general in Frankfurt and in Hamburg, the latter being the oldest mission in the Federal Republic," he mentions.

[Diplomatic sources indicate that prominent Düsseldorf-based businessman Dr Heinz Horst Deichmann, whose shoe retailing business in Germany has a turnover of around DM1 billion and who is known for his proximity to both the ruling Social Democrats and the opposition Christian Democrats, will very likely be India's new honorary consul in Bonn. Deichmann is a major importer of Indian leather shoes – importing around 2.5 million pairs annually – and also aids numerous charitable projects in India


SAROSH BANA

Ronen Sen argues for a more vigorous partnership with Germany

such as schools and clinics. His fondness for India is reportedly legendary, having once publicly described the country as his 'girlfriend', and Indian diplomatic officials believe his posting will bolster India's image as a compatible trade partner.]

The ambassador is keen on India's opening a new consulate in Munich as well, with Bavaria, of which this southern city is the capital, fast emerging as Germany's high-technology centre for cybernetics, telecommunications, bio- and information technologies, and artificial intelligence. "It is imperative for India to have a direct presence in Munich, because we must open up and expose our own industries to the fiercely competitive segment of high technology," maintains Sen, who took over his posting in October 1998 following a six-year ambassadorial stint in Moscow.

Sen believes India lost a vital opportunity in not exploiting to its benefit the unanticipated currency crunch that gripped the Southeast Asian economies recently. "It appears that, while German businesses are enthused by India's programme of liberalisation, they have been dismayed by the regrettably slow pace of its implementation," he maintains.

He says there is enormous potential for developing bilateral trade with Germany because it is one country that is the industrial powerhouse of Europe and is both the catalyst and locomotive in the context of European integration. "Germany can well be a vital economic partner for us and for this Indian businessmen would need to diversify their export products and conform to the stringent German standards of quality and timely deliveries," he remarks.

Indian enterprises seldom participate in Germany's varied trade fairs, which are among the most prestigious and lucrative, just because they are satisfied with their prevailing volumes of business. But their far bigger counterparts from East Asia and the Western hemisphere consistently have high-profile participation simply because they desire sustained recognition worldwide." He points out how a predominant industrial house inexplicably withdrew from Düsseldorf's GDS footwear fair in March at the eleventh hour, how knitwear is never represented at the fashion and apparel fairs, and how a leading plastic manufacturer has shunned the plastics exposition likewise.

The links go back a long way

In an exclusive interview to *Business India* at his sprawling official residence on the outskirts of Bonn, India's ambassador Ronen Sen indicated that the relatively constricted bilateral trade is not in consonance with the fact that India has been among the first countries to set up its mission in post-War Germany, apart from the fact that the University of Bonn established its department of Indology way back in 1818 and Berlin's Humboldt University did so three years later. With 18 chapters all over Germany, the Indo-German Society is also the largest of its kind in the Federal Republic, he adds. Sen points out that German industry had been enthused by the path-breaking initiatives such as in the infrastructure sector undertaken by the A.B. Vajpayee ministry. But its premature collapse put a question mark over these initiatives. German investors are not unduly perturbed by issues such as India's nuclear blasts of May last year, so long as the country enjoys political stability and can implement its policies without fear or favour, he points out. The following chart makes this manifest. The post-Narasimha-Rao period, marred by a flurry of governmental changes since 1996, shows a distinct downtrend (*see table*).

Curbed by recessionary trends and cautioned by an uncertain political climate, Indian industry's hi-tech requirements were markedly reduced, resulting in a sharp drop of 13.1 per cent in imports from Germany in 1998 from the previous year. This led to an overall decrease of DM506 million, or 5.9 per cent, in the volume of bilateral trade. Cotton fabrics and garments continue to account for the bulk of India's exports to the extent of 20 per cent, with leather, and leather goods and apparel comprising another 16.1 per cent.

In a positive development, primary chemical exports surged 17.4 per cent, accounting for 11.4 per cent of overall exports to Germany, while auto ancillaries registered a woeful drop of 15.1 per cent, reducing to 3.9 per cent of the exports. At the same time heavy machinery, and chemicals and pharmaceuticals continued to be the mainstay of German exports to India, accounting for 40.4 per cent and 15.7 per cent respectively of the overall tally. In the same period electronics goods dipped by 25 per cent and vehicles by 33.5 per cent.

India, however, registered a trade surplus – of DM356 million – for the first time since 1994. In the first five months of this year overall trade declined a further 4.5 per cent compared to the same period last year, with Indian exports dropping 0.1 per cent and German exports plunging 9.3 per cent. The Centre sanctioned 193 Indo-German collaborations in 1998 compared to 254 the previous year of which 108 (1997: 159) are to have financial participation as well. These tallies portray a 24 per cent decline in technical and 32 per cent in financial collaborations, being the fourth year in succession when there were more financial than technical collaborations.

The total number of foreign collaborations sanctioned in 1998 were 1,786 (1997: 2,325), while 1,190 were



SAROSH BANA

Hilde Welte feels India has a long way to go in globalising itself

financial (1997: 1,664). Last year Germany, with sanctioned investments worth Rs854 crore, dropped to ninth place, behind even Mauritius, South Africa, Malaysia, and Australia, having held fifth position in the two previous years. The US led the list, with Rs3,562 crore worth of investments. But though, in the first six months of 1998, German investments in India declined by about 54 per cent compared to the figure in the first six months of 1997, they subsequently leapt by 46 per cent for 1998-99 as a whole to exceed Rs2,000 crore. German investment in India had almost tripled in the first few years of economic reforms in 1991.

The Confederation of Indian Industry (CII) maintains that Germany's investments into the rest of Asia dropped from 12 to 6 per cent of its total foreign investments in the same period, though total German overseas investment actually rose by 30 per cent to reach DM54 billion. Comparative figures for India are difficult to ascertain. "A complete list of Indian investment in Germany is not available as companies are registered at the local rather than the federal level," says Dirk Matter, the IGCC's office chief in Düsseldorf. "There is, however, no restriction on foreign investment in Germany, though it is difficult to secure a permanent resident visa." He points out that, while a host of small and middle-sized Indian companies in Germany are dealing with textile and leather products, a new trend has been of software companies opening representative offices there to forge closer contacts with their clients.

Aiming for the Mittelstand

Indian companies establishing business in Germany include New-Delhi-based Bharatiya International Ltd, which on 23 June 1997, signed a joint venture with Jaburg & Sahm Textilmanufaktur GmbH of Neustadt in Brandenburg, 75 km northeast of Berlin, that would provide employment to 120 workers in the region. A ground-breaking ceremony for a new trade and business centre at the same venue was also performed in the presence of Manfred Stolpe, minister-president (chief minister) of the federal government of Brandenburg, and then Indian ambassador S.K. Lambah, jointly by Bharatiya's managing director Snehdeep Aggarwal and his counterpart in Jaburg, Horst Sahm.

Commending the initiative, Stolpe underlined the importance of India for bilateral cooperation with companies in Brandenburg. Lambah pointed out how the joint venture was an example of India's collaboration with German Mittelstand (medium and small) companies. NRI steel group Ispat International also took over two plants of the Thyssen-based Saarstahl AG which had gone bankrupt. A CII survey showed that more than 200 Indian companies were interested in having a permanent presence in the state of Bremen, many of them from the textiles, leather, auto components, electronics, software, chemical, and pharmaceutical sectors.

CII observes that Bremen is an excellent gateway to northern, eastern, and central Europe that presents a combined market of 670 million people. Also the state, comprising the port city of Bremen and the seaport of Bremerhaven, is an international trade hub. It additionally grants subsidies of up to 28 per cent of total investment volume. In order to facilitate the setting up of Indian companies there, CII's Bremen office, along with Bremen Business International, the investment promotion agency of the state, has set up a comprehensive business support service.

Mohan Murti, director of CII's German office in Cologne, quotes a CII survey on what Germans criticise and value in Indians. "Germans face the greatest difficulties when the Indian ability for handling of chaos gets exaggerated and assumes a perverted form of dishonesty, breach of contract, and a search for immediate gains at the cost of the German partners," the survey cites. "There can also be a divergence between Indian and German ideas about punctuality or exact fulfilment of contracts; because several Indian partners do not look upon mutual decisions as unconditionally binding, they are accused by the German side of unreliability, irregularity, or lack of commitment." But what Germans value is the work motivation of Indians: "The most frequent mention is their ambitious commitment to work, combined with much enthusiasm and reliability." Also honesty and loyalty, and of being convinced of their own abilities and displaying them decisively.

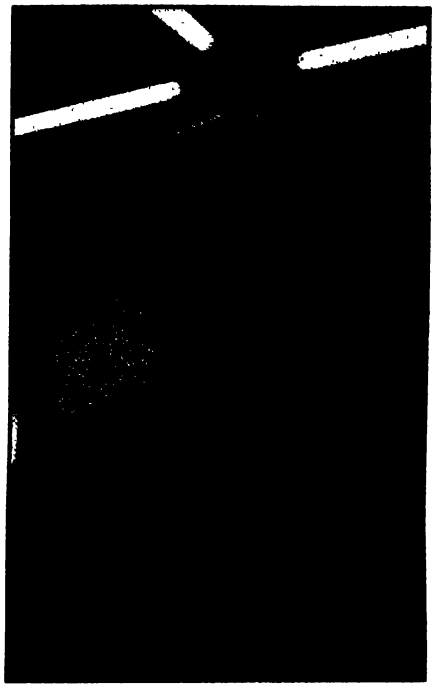
Dr Wolfgang Massing, head of the federal foreign office's South Asia,

Indian Peninsula division, acknowledges that, despite being a region with a cumulative population of 1.3 billion, South Asia is not getting the attention it deserves. "That part of the world is indeed a bit neglected, but regional tensions are impeding progress," he says. "We had high expectations after Prime Minister Vajpayee's bus trip to Lahore in February, but renewed hostilities became a matter of concern." He deems it imperative for India and Pakistan to work for their common good by developing commercial, communications, infrastructural, and cultural links.

He believes it is this acrimony that is thwarting the South Asian Association of Regional Countries (Saarc) from flourishing. "Our government would like to assist Saarc in getting ahead, because it is in its progress that the well-being of South Asia can be assured," he says. But he adds that there is a general apprehension that India might try and dominate the region. He points out that though Berlin does not believe in trade or financial sanctions as retaliation for India's and Pakistan's nuclear tests, the Western media did manage to scare away foreign investment by raising the spectre of a nuclear war on the subcontinent.

It is Germany's view, says Massing, that the United Nations Security Council, which even today reflects the situation as it prevailed after World War II, needs restructuring by being more representative of emerging regional imperatives. "Each region should decide on this question of permanent membership, though India considers itself a natural candidate and Japan aspires likewise. Germany too is an aspirant." Massing points out the Italian formula of "rotational permanent membership" as a solution. He claims there is continuity in Germany's basic foreign policy despite the Social Democrats of Gerhard Schröder succeeding the Christian Democratic Party of Helmut Kohl.

Germany traumatises over ethnic and regional conflicts and religious intolerance that threaten the balkanisation of South Asia, Massing stresses. "Afghanistan is an open wound that exports its rabid brand of fundamentalism into Pakistan which in turn can spill over into India," he reckons. "This can ignite Hindu revivalism in India which then will have no future if its secular identity is compromised."



Guenter Krueger is confident that bilateral trade will surge once again

Pragmatism is vital

On the economic front, too, India would need to be more pragmatic. Dr Anupam Ray, Head of Chancery at India's embassy in Bonn, in the midst of shifting to the new capital city of Berlin, describes the tremendous effort put in hitherto in establishing a German House in Mumbai that would serve as an infrastructural and administrative gateway into India for German Mittelstand companies. The concept for such a facility was first proposed six years back by then ambassador Kishan S. Rana to Dr Lorenz Schomerus, the state secretary at the federal economics ministry. IGCC's Krueger says that though the then finance minister P. Chidambaram was personally keen on seeing this project through, it is yet to see the light of day.

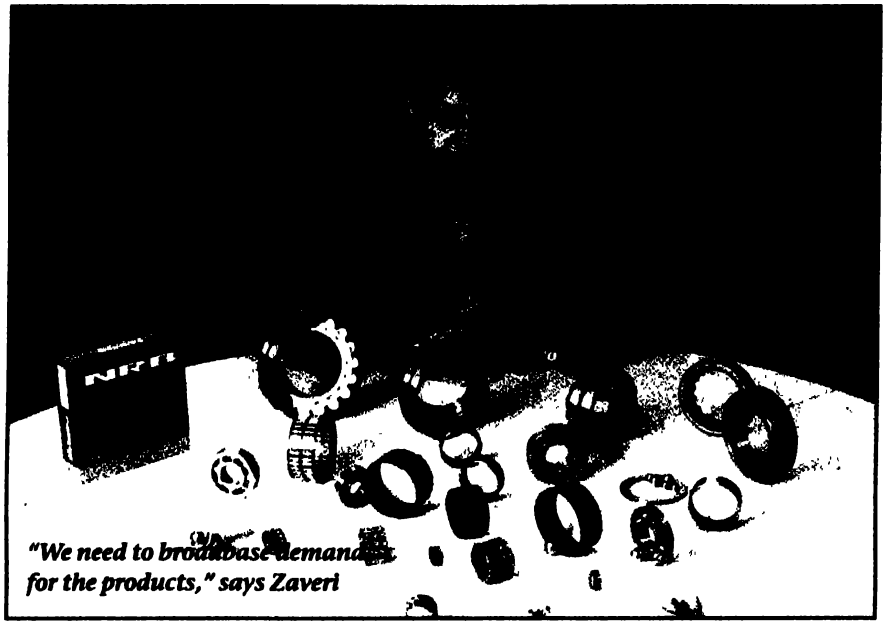
Krueger mentions that Delhi has been unable to decide either way and the two German state banks – Bayerische Landesbank of Bavaria and Südwestdeutsche Landesbank of Baden-Württemberg – have baulked at the prohibitive price of the two plots of land he has identified in the Bandra – Kurla commercial area. There has been no progress despite the fact that, in May 1998, then German foreign minister Klaus Kinkel wrote to Prime Minister Vajpayee assuring full support of the federal government in this endeavour and two months later his office conveyed its support and reciprocity in supporting the foundation of a similar centre in Germany. In fact, in September last year, the matter was also discussed during the meeting of President K.R. Narayanan with Erwin Teufel, minister-president of Baden-Württemberg.

Krueger says similar German Houses have been set up in Singapore and Shanghai, while another is coming up in Beijing and the fourth in Mexico City, where the government has donated a plot free of cost for the project. Damodaran indicates that, if the impasse persists, the project will be moved to Bangalore or Hyderabad, where the governments have shown greater flexibility. The present status is that the executive committee of the Mumbai Metropolitan Region Development Authority is examining the proposal and discussing it with the IGCC, asking it to furnish a rationale for seeking a concessional price for the land and for the size of the plot required. The Chamber has approached the two German commercial banks and has yet to receive a response from them.

But if there is no German House, there is at least a 'German Window'. The Government of India has opened a number of country-specific windows in the Ministry of Industry with the objective of further augmenting bilateral economic cooperation with the respective countries. One such 'window' relates to Germany, the functions of which involve the collation and dissemination of information, organising investment promotion seminars and contact programmes, rendering assistance to companies, and facilitating the setting up of new collaborations between Indian and German companies.

• SAROSH BANA

Finding its bearings



"We need to broadbase demand for the products," says Zaveri

VIVEK GOSI

Hoganas has initiated some moves to go places

Harshbeena S. Zaveri seems to be a hands-on woman. Shuttling between various departments situated on two floors of a nondescript building in south Mumbai's business district, she is in a hurry to get to the goals fixed by her company. Designated wholetime director of the Rs100-crore NRB Bearings, she seems firmly in the saddle to steer the bearing company into the Rs300 crore league by 2004.

"We have embarked on a continuous improvement programme," says Zaveri, pulling out sheets of papers containing the 'score card' methodology. Clearly, Zaveri is in the thick of things. Though her father Trilochan Sahney continues to be the chairman and managing director of the company, it is amply clear that Sahney is grooming Zaveri, who has been looking at marketing and exports for more than five years, to take charge. (Sahney has a son, younger than Zaveri, who is employed with the company in the middle-management cadre.)

NRB Bearings was flagged off in 1965 by the Sahney family along with the French bearing manufacturer Nadella. Over the decades, to keep pace with the expanding range, the company's chief promoter Trilochan Sahney set up manufacturing facilities in Maharashtra and Andhra Pradesh. The early 1990s saw an "amicable" split between the three brothers, where Sahney, the eldest, took full control and the brothers walked away with some of the other family businesses in bearings.

Part of the crossholding by the group companies was disentangled when NRB made its debut in the capital market in early 1995 through the divestment process. A simultaneous public offer was done at a price of Rs120 per share. Today, the Sahney family holding is 49 per cent, with Nadella having 26 per cent of the Rs9.69 crore equity. (Nadella is equally owned by SNR, part of Renault group, and Torrington group, part of Ingersoll Rand Worldwide). While the bearings industry has seen several of the foreign collaborators holding a majority stake (eg. SKF, FAG), NRB's case stands out in that the foreign collaborator is the second largest shareholder but "will have equal say on board matters."

For starters, NRB has embarked on a blueprint for accelerated growth. Zaveri plans a greater penetration in the replacement market, an intensive export push, rolling out new products and catering to the high margin segment. "We need to broadbase demand for the products," says she. The company desperately needs to. For demand for bearings is a derived one where their fortunes are closely linked to industrial production, which has witnessed a decline in the past couple of years. In fact, most leading bearing manufacturers such as SKF and FAG have introduced numerous measures to increase sales and have embarked on technological upgradation and an export thrust.

Besides, according to an industry source, the growth and development in the user industry, especially the automotive sector, the biggest customer of bearings, has not exactly been on a roll. The segmentation of the automotive sector shows that while the two/three wheeler market looked up 8 per cent, the commercial vehicle market shrunk 17 per cent and the passenger and utility car market dipped 11 per cent.

The bearings industry in India is estimated to be about Rs2,400 crore of which the organised sector makes up for about two-thirds of the market. About 30 per cent is made up of imported or smuggled ball bearings and the rest by the small scale sector. According to industry statistics, the ball bearing demand in India dropped by about 4 per cent during 1997-98 though it grew a marginal 1.5 per cent during 1998-99. NRB has an 8 per cent marketshare in the overall bearing market, with SKF being the *numero uno*.

In such a scenario, how has NRB fared? For the year to March 1999, turnover slipped by about 3 per cent to Rs116.92 crore. Gross profit dipped by about 8 per cent over that of last year to Rs16.84 crore and post tax profit plunged about 41.7 per cent to Rs7.67 crore. The company margins were also under tremendous pressure. At the operating level, margins stood at 18.8 per cent compared to 22.1 per cent in the previous accounting period. The gross and net level margins dipped to 15.1 per cent (from 18.6 per cent) and 6.9 per cent (from 9.3 per cent) respectively.

However, despite discouraging performance, a comparative study of the industry shows that the net margin is better than SKF (3.64 per cent), FAG (3.41 per cent) and Timken (6.35 per cent). NRB's return on networth at 10.5

per cent compares favourably with SKF's 9.37 per cent and FAG's 8.56 per cent. It also emerges tops in terms of return on capital employed at 7.02 per cent.

"The overall slowdown in the user segment led to the dip in the topline and bottomline. However, though prices of bearings were down, our volumes were up and we didn't lose marketshare. Volume-wise, the industry average dropped by 12-14 per cent," explains Zaveri. In the past several months, the company has taken a conscious decision to reduce its dependence on the commercial vehicle major Telco. More than a fourth of NRB's sales came from the offtake from Telco. This, according to company officials, has been pruned to about 17 per cent. "But this does not mean that if we get more orders from this manufacturer we would refuse," they quickly add. (It must be pointed out that Telco itself had gone on a downhill because of a slowdown in truck sales.)

NRB has reoriented its business and refocused on areas with high growth potential. In the past couple of years, the company has reduced its dependence on the OEM auto segment from 66 to 46 per cent of sales for the year to March 1999. The replacement segment has seen a jump from 28 to 47 per cent in the same period. The industrial OEM segment has been erratic between 3 and 5 per cent of sales and exports are a steady 3 per cent.

In all the four segments, Naresh Warrier, vice-president, marketing, is hopeful of making a substantial headway. NRB has put a lot of emphasis on R&D to create import substitutes for its customers. Maruti Udyog has been one of its important customers for whom it has designed 10 shapes of taper roller bearings. Other clients include Mahindra & Mahindra, Bajaj Auto, LML, Hero Honda, Kinetic Engineering, Mico and Lucas TVS in the auto and auto ancillary sector. The other companies in the heavy engineering segment are HMT, Kelvinator, Siemens, ABB to name a few.

"We plan to invest about Rs4 crore on research initially and later spend a similar amount each year," says Warrier. The company plans to be a global player in needle and cylindrical roller bearings industry by addressing



NRB has reoriented its business and refocused on areas with high growth potential

opportunities in new market segments and also be a sourcing base for Torrington (its part owner). The focus has been on accelerated product development (it brings out 700 different sizes of bearings) and process capability enhancement. "This would enable the company achieve QS 9000 certification which would open up new avenues to do business with major global auto players like Delphi Automotive Systems and GKN," says Zaveri. Incidentally, companies such as FAG have moved faster than NRB on this count as it has achieved certification of ISO 14000 for environment and safety standards. "That (achieving ISO 14000) would be our next step," says she.

With the automobile segment showing signs of revival, NRB plans to be aggressive in the replacement market. It has already identified replacement markets in Bangladesh, Turkey, Nepal, Sri Lanka, Iran and Europe and is confident of getting a foothold. On the domestic front, the company plans to go beyond just dealers. "We have got down to the level of mechanics, who are the influencing factors. The reach is getting better. Today there is a pull factor as against a push factor earlier for the products. The number of dealers has increased by 50 to 200. Now we won't appoint any more dealers in metros. Instead we are going to smaller towns," says Warrier.

In the industrial bearings category, NRB plans an increased push. "Though it is a low volume segment, the margins are very high," says Zaveri. As for exports, the company has begun doing the spadework and hopes that things would click once the ISO/QS certifications come its way. "We are price competitive in most of our products domestically on CIF basis. To take care of the overseas markets, we have started warehousing in order to take care of the logistics," reveals Zaveri.

NRB's growth formula seems to be already showing results. Though the performance for the year to March 1999 was none too encouraging, its first quarter report card shows that the gameplan initiated has already begun to bear fruit. On the turnover of Rs26.06 crore, the company netted a profit of Rs2.39 crore. The margins have also improved. While gross margins have moved up four points to 19.5 per cent, net margins have jumped from 6.9 per cent last year to 9.17 per cent. The annualised earning per share works out to a shade lower than Rs10 compared to Rs7.91 in the previous year.

Zaveri is confident of closing the full year with a turnover of Rs125 crore and a 50 per cent jump in bottomline. The market price (Rs100 on the BSE) discounts the earnings by 10 times. With a pick-up in the user industry, the bearing industry is bound to get a better discounting which gives NRB ample room for an upward movement.

In growth mode

With capacity expansion and a pick-up in demand for iron powders, Hoganas India seems set for a smooth sail ahead

The $0.5-billion Hoganas AB of Sweden, a global major in iron powders, with a 50 per cent market share worldwide seems to be on a roll in India. Hoganas India Ltd (HIL), the Pune-headquartered subsidiary, in which the Swedish parent has a controlling 51 per cent stake, has a whopping 90 per cent market share in iron powders, a hold it shows no signs of relinquishing.

Iron powders are largely used to make automotive components by a process known as sintering or powder metallurgy. The end-users of these sintered components are major car manufacturers like Maruti, Telco, Ford, GM, Hyundai and Daewoo among others. Sintered components are also used by OEMs like Bajaj Auto, Hero Honda, TVS Group, Telco, M&M, Escorts and the like. About 60 per cent of the iron powder produced by HIL goes to the automobile industry, while another 25 per cent is used by the welding industry. The balance 15 per cent finds applications in the chemical and metallurgical industries.

Despite its heavy dependence on the automobile industry which has been through a wrenching recession, Hoganas has shown a smart growth in sales. Turnover rose by as much as 17 per cent in 1998-99 from Rs24 crore to Rs28 crore. Indeed, the company's track record in growth has been undented since its inception in 1987, irrespective of the growth trends of its user industries. During the last six years, HIL has more than doubled its sales from Rs13 crore in 1993-94 to Rs28 crore in 1998-99, while net profit more than doubled from Rs1.2 crore in 1993-94 to Rs2.8 crore in 1998-99. Exports have risen from Rs0.6 crore in 1993-94 to Rs3.64 crore in 1998-99.

Last year HIL doubled the capacity of the annealing furnace at its Ahmednagar plant, which in turn resulted in doubling its capacity to produce finished iron powders from 9,000 tpo 18,000 tpa. It has even set up a mixing



Our philosophy is to expand ahead of the market, says Sud

station for metal powders of 5,000 tpa capacity. The expansion, which was completed in June 1999, cost around Rs9 crore. Says Virendra Sud, MD, HIL, "We produce around 9,000 tpa of iron powder. But our philosophy has been to expand ahead of the market." When the company started in 1987, production was 2,000 tpa, a third of the installed capacity of 6,000 tpa. When demand spurted by 35 per cent in 1993-94, followed by a 50 per cent rise in demand the following year, Hoganas was well placed to meet it.

Even this time, the expansion has been completed at an opportune time as there has been a sharp 45 per cent spurt in the sales of passenger cars during April-September 1999, compared to the previous year. "The last quarter (July to September) has been our best ever. And even if the up trend is not sustained, we hope to end the year conservatively with a turnover of Rs33 crore," says Sud. However, the current financial year may see a dip in the company's net profits as depreciation, which was around Rs1 crore last year, will rise by 80 per cent and interest costs which were around Rs35 lakh, will go up by 40 per cent, due to the heavy capital expenditure last year. "But, once these are absorbed, the net profits should leap-frog in the following year, coupled with an anticipated 25 per cent increase in sales volumes," says HIL chairman Kamaljit Singh.

The present expansion will take care of the market needs for five-six years. In the next three years, HIL sales are projected to cross Rs50 crore.

On the export front, there is more encouraging news. Earlier, the parent company, had restricted HIL's sales to markets in and around the Middle East. Last year, however, the parent decided to source some special alloy powders from outside Sweden. To manufacture these powders, it short-listed its subsidiaries in three countries — India, Belgium and USA. "Finally, out of the three countries, they chose India to make these powders, for a variety of reasons. One, of course, being that we were the most price-competitive," says Sud. This should eventually result in exports crossing Rs5 crore in the current year, up from Rs3.64 crore last year.

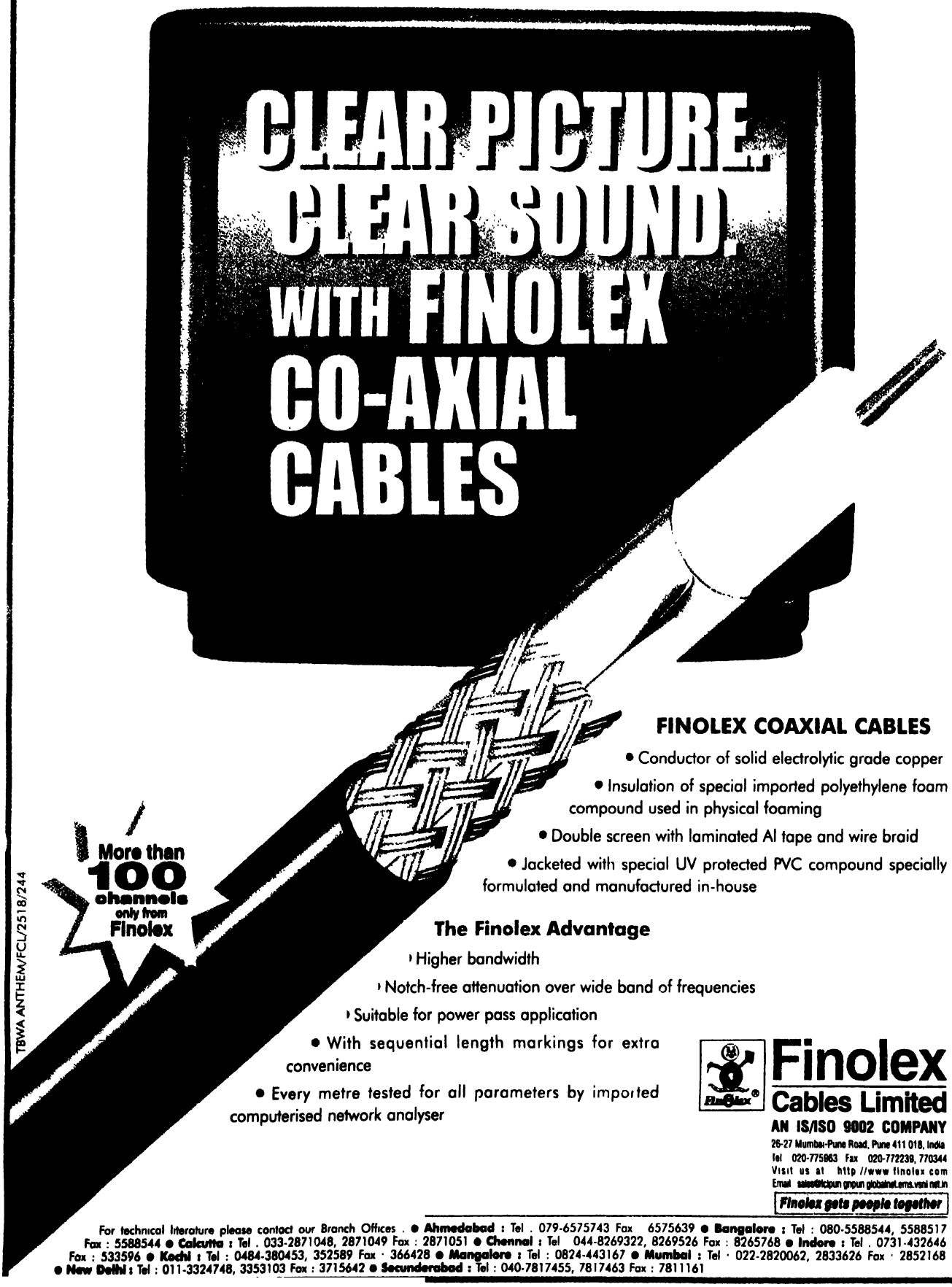
Hoganas' Ahmednagar plant boasts a new mixing and blending station that allows the company to increase value addition. Says B.M. Kataria, Executive Director, Mahindra Sintered Products, "While we are geared to do mixing and blending of powders at our end, we have still shown willingness to buy a part of our requirements as ready mix powders from Hoganas India, as it helps us reduce our inventories of both elemental iron powders as well as ready-mix powders."

Meanwhile, there is an increasing trend in the automobile industry to use powder metallurgy (PM) parts or sintered parts. American auto manufacturers are planning to double the number and weight of PM parts in the next two-three years as powder metallurgy is a much more cost-effective way of producing components than conventional methods like forging. The trend even in India is to switch over to PM. Hoganas is banking on car sales picking up and the weight of PM parts per car increasing. If that happens, Hoganas will power ahead.

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Big Mac takes centrestage

McDonald's India is replicating the global concept of network economics to succeed in the Mumbai market



UMESH GOSWAMI

Managing director Jatia is targeting families

Visitors to Crossroads, Mumbai's newest and trendiest shopping mall, crib about the traffic jams they have to negotiate to get there. Blame it on McDonald's. The fast food eatery's newest outlet there is attracting hordes — an estimated 10,000 people visit the 242-seater restaurant daily. Cut to further downtown at the outlet at Chatrapathi Shivaji Terminus (CST) or in the opposite direction north to the suburban outlet in Bandra, the story is no different. Both cater to approximately 6,000 customers per day.

Admittedly, the CST outlet has seen a drop after the run-in with Bombay Municipal Corporation which has categorised the frontage as a compulsory open space — the necessary licence to operate in the area is being awaited — but the drop is temporary. McDonald's outlets are not just a hangout for Generation Next, but more vitally, are bringing in families. In essence, Mumbai's McDonaldisation appears to be complete.

Pertinently, as recently as in 1997, fast food was not a terribly popular concept in Mumbai with a study showing very clearly that speciality restaurants dominated with a 39 per cent marketshare, while Udipi restaurants had a 30 per cent share. Meanwhile, fast food had a 25 per cent share only, while other eateries contributed the balance. But a year later, QSR (quick service restaurants) had grown by 30 per cent with Big Mac leading the charge with an astounding 80 per cent growth rate.

The man who can take full credit for luring Mumbaikars away from *idlis* to burgers is Amit Jatia, managing director of McDonald's India Mumbai joint venture. Echoing founder Ray Kroc's famous line — We take the hamburger business more seriously than anyone else — Jatia is targeting families. His catchline is simple yet effective: "We like the family." And families seem to love their Macs. McDonald's has grown from strength to strength with eight outlets in Mumbai serving in excess of 1.2 million people per month. This is expected to ramp up to 2.2 million customers per month by Y2K end.

Thirty two-year-old Jatia joined his family business in 1987 after his MBA from the University of Southern California and rose to become MD of Houghton Hardcastle India, one of the group companies in 1993. The company has a JV with Houghton International Inc of the US who are the world leaders in the field of fire resistant hydraulic fluids, aluminium rolling chemicals and other industrial lubricants. After deciding to enter into a JV with McDonald's (for which he claims his family was very supportive), Jatia prepared by taking a degree in hamburgerology from the Hamburger University run by McDonald's in Oak Brook, Illinois. Thereafter, he underwent hands-on training for a year at McDonald's restaurants in Jakarta (a marketplace similar to India). So, the go-getting Jatia who is guided by the Mac credo in the way he conducts his business is today a full-fledged member of the McFamily.

Jatia reveals that the QSR concept always takes off slowly and then grows at a phenomenal speed. He gives the examples of Turkey which had 20 outlets in 1993 and which have grown to 113 (year-end 1998) or Brazil which has shown a staggering growth from 154 outlets in 1993 to 672 (year-end 1998). Israel, which had one outlet in 1993, has 65 presently and the the sole outlet in Philippines in 1980 has mushroomed to 220 restaurants.

Jatia is now ready to unveil two more outlets in the last quarter of 1999 — on Charni Road in south Mumbai and near the Thane railway station (central suburb) — both double-storeyed and seating-oriented catering to between 125 and 150 people. Jatia says, "The setting up of all our outlets is determined by real estate acquisition and location. Ideally we have to situate the QSR slapbang in the middle of a shopping and residential area with a proliferation of foottraffic. The proximity to a suburban railway station in Mumbai obviously helps."

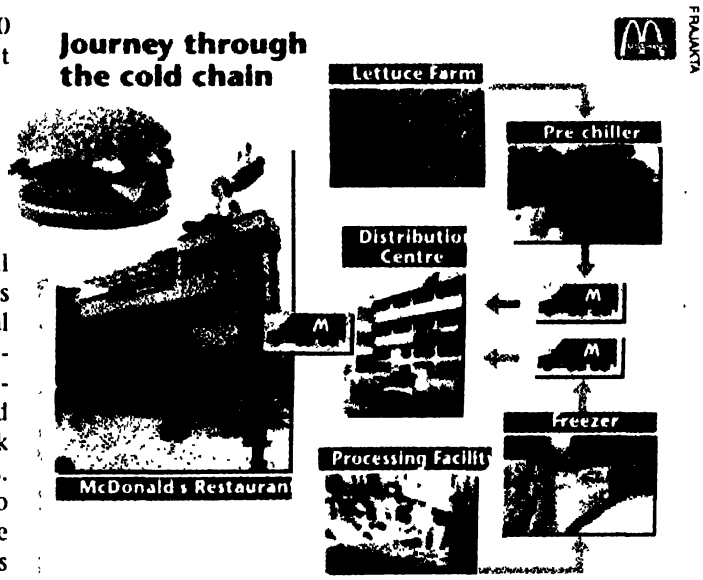
Jatia's gameplan is to have 20 outlets in Mumbai by 2001. According to him, of the eight restaurants in

Mumbai, only two (at Crossroads and Lokhandwala Complex in Andheri) are owned while the other six are on 25-year leases. The new properties at Thane and Charni Road have also been taken on lease. Jatia says, "Excluding the real estate cost, each outlet costs Rs3 crore. This includes leasehold improvement and the cost of the equipment. The break-up differs from site to site and normally includes kitchen equipment, cost of interiors, air-conditioning, exhausts *et al.*" Seventy per cent of the kitchen equipment is currently imported as it has to conform to McDonald's' global standards. But localisation is taking place here as well. Earlier the import content was 100 per cent; the three-year goal now is to have 70 per cent local and 30 per cent imported equipment.

McDonald's began to look at the Indian market sometime in 1990, when its executives started making exploratory trips. By 1994, some international suppliers of McDonald's visited India to identify local partners, realising the sensitive nature of the marketplace and the perforce need to eliminate beef and pork from its catalogue of dishes. India was the first country to use the complete vegetable burger, creating the eggless mayonnaise vegetable burger. Mutton burgers are once again an Indian concept. Meetings with agriculturists too were conducted with a view to set up a supply chain. Finally all this fructified when a 50:50 joint venture was inked between McDonald's India, a 100 per cent wholly owned subsidiary of McDonald's USA and Hardcastle Restaurants Pvt Ltd owned by Amit Jatia and his family.

Similarly Vikram Bakshi (whose family was in real estate) entered into a JV with McDonald's for the Delhi end of things. There are nine outlets in Delhi presently. Both partners signed the JVs in April 1995. Jatia claims that his association with the leader in the food retail business was not planned, rather it happened by chance. Jatia received a tip-off from a common friend that McDonald's was planning a foray into India. Once the dialogue was opened with Big Mac, the deal was sewn up in a year.

What appealed most to Jatia about McDonald's was the fact that they had mastered retail food management, successfully combining a global view with local expertise. While the joint ventures operate independently, Amit Jatia handles the food and paper purchase for both and Vikram Bakshi does the same *vis-a-vis* equipment. Jatia says that there is tremendous interaction between the two JV partners. If a particular promotional gambit succeeds in Mumbai, then it is instantly cloned in Delhi as well.



The $36-billion McDonald's' (25,000 restaurants worldwide) network economics model is part of modern management folklore. Economies of scale and large volumes are the determining factors to generate profits in fast food. Jatia says, "We are in a volume driven business, for it is these volumes which ultimately give profits."

And this is the model that has been successfully replicated by McDonald's in India. Local sourcing has enabled McDonald's transfer advanced technology and state-of-the-art procedures in the areas of agriculture, food processing, warehousing, distribution, restaurant equipment manufacturing and restaurant operations. Let us see how (*see supply chain*):

- Trikaya Agriculture in Talegaon, Maharashtra supplies fresh iceberg lettuce, growing the crop all year round. From five tonnes earlier, it is now producing 350 tonnes annually.
- On McDonald's request, two of its major international suppliers — OSI Industries Inc USA (chicken range of products) and Kitchen Range Foods UK (vegetable range of products) agreed to enter India through JV agreements. Vista Processed Foods and Kitran Processed Foods (McDonald's India is the majority partner in these ventures) were formed at a cost of Rs35 crore, operating the food processing facility from Taloja on the outskirts of Mumbai. McDonald's India is sourcing chicken patties, vegetable patties, pineapple and apple pies and vegetable nuggets from Vista and Kitran.
- McDonald's India approved Dynamix Dairies in Baramati, Maharashtra, for supply of cheese to its restaurants. To encourage improvements in quality standards and world-class manufacturing capabilities at Dynamix, McDonald's introduced it to two of its global suppliers — Schreiber Foods, USA and Erie Foods resulting in a JV with one company and an export order worth $12 million per year from the other.
- Most importantly, from July 1993, much before McDonald's kickstarted its operations in India, Radhakrishna Foodland (part of the Radhakrishna Group which is engaged in food and related services businesses) began to understand McDonald's operations and requirements for the Indian market. Better facilities, infrastructure and new systems were adopted to satisfy McDonald's demands. Foodland today serves as the distribution centres (DC) for their restaurants in Mumbai and Delhi while Air Freight handles the logistics management. The distribution centre is responsible for the procurement, quality inspection

programme, storage, inventory management, deliveries to restaurants and data collection, recording and reporting. Value added services like shredding of lettuce, repacking of promotional items are also carried out at the DC. McDonald's introduced Foodland to FI walkers of Australia which resulted in an affiliation between the two companies to develop a distribution set-up in India.

Raju Shete, chairman, Radhakrishna Foodland, says, "Our association with McDonald's has been a great learning experience. McDonald's has helped us gain knowledge and technology required to manage world-class distribution centres, which did not exist earlier in this country. Developing an equivalent expertise on our own would have taken us 10 to 15 years. McDonald's Corp houses vast resources which suppliers like us have access to, whenever we need it. They showed us new directions in the area of cost consciousness, cleanliness and waste control, thereby enabling us to substantially enhance total quality and reduce distribution costs." One of the examples that Shete gives is of using multiple temperature zones in the same truck, which reduces idle factors and increases optimisation.

Jatia says that Rs175-crore investment exclusively on the creation of the supply chain has been made in and around Mumbai (by the Indian partners, suppliers, international JVs, McDonald's Corp through its Indian subsidiary and the two JV partners — Amit Jatia and Vikram Bakshi). But this only one facet of the organisational dynamics. For the business is not only capital intensive but labour intensive as well. McDonald's Mumbai employs 1,000 people and the clarion call for quality, service, cleanliness and value (QSCV) is taking it to the next plane of competency.

QSCV remains the driving force behind McDonald's growth agenda. Training standards are rigorous and stringent and in order to maintain excellent service standards, the popular concept of mystery diner is being effectively used. The 'mystery diner' from an external agency — SS Harris — drops in at an outlet and provides the management with a critical analysis of the outlet's standards *vis-a-vis* service and hygiene, among other things. Moreover, customer satisfaction random checks and food safety checklists are commonly conducted by personnel from the corporate office.

"The underlying ethos is that McDonald's is a value-based company which is definitively volume oriented. As such development has to be focused and logistically managed. We prefer a step-by-step approach, optimising efficiencies across the board including in transport so that the cost is low," says Jatia. McDonald's Sundar S. says, "Ever since we started operations in 1996, we have managed to optimise truck capacities by over 60-70 per cent, production runs were optimised at our processing plants by following better ordering/forecasting procedures which also contributed in improving truck utilisation."

Jatia reckons that realty acquisition is proving to be the biggest impediment and, "while the government has been most supportive, we need to hasten the pace, streamline licensing procedures. At the moment, there are 50 different clearances required with as many as 24 NoCs. Traditionally, it takes 10 years in the McDonald's system to break even. I think in India it will take a minimum of 50 restaurants in Mumbai and Delhi to be on a firm footing. Towards the end of this year, we will be getting more aggressive. The good news is that sourcing is local, so forex fluctuations don't really matter. The key is how soon we can open new outlets for deep pockets drive this business. Japan, for example, opens 500 new outlets every year."

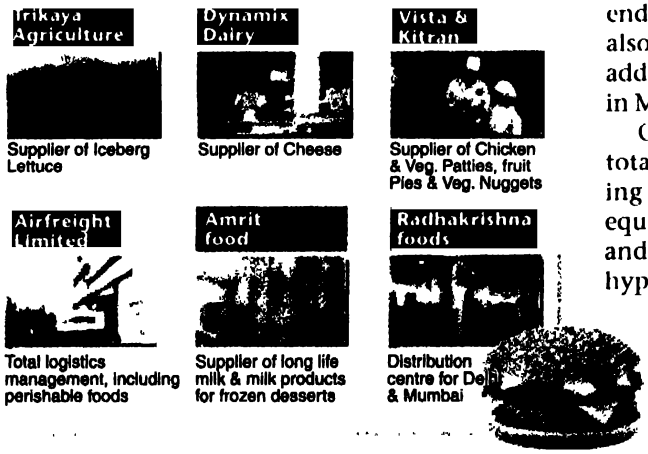
Jatia feels that he is already half way to the top. His credo now is that, "from the time I take possession of a new restaurant, I want to open it within 100 days. We are striving for this. Detailing, training and execution are the next steps. I remember a group of 25 people each from Delhi and Mumbai were flown to Indonesia for a year's training so that they could assimilate people practices and learn how to manage profit. By the end of this calendar year, which is also our financial year, I will be adding 60 new trainee managers in Mumbai alone."

Over a period of three years, total capital expenditure including training, restaurant cost and equipment has been Rs165 crore and while this has resulted in hype, hoopla and terrific customer recognition and brand awareness, the business continues to run at a loss. Jatia claims that advertising, promotion and merchandising is a huge part of his cost for there cannot be any compromise on this score. But at the same time, he refuses to divulge figures.

Jatia is unperturbed about the losses on a cumulative investment of Rs350 crore, for as he says, "Mumbai has crossed the threshold. Remember that while the concept existed in Delhi courtesy Nirula's, this food option was completely novel for Mumbai." Today it is the first serious Western, quick service restaurant and because the product is fresh, it is working very well. The buzz is that Pune and Chandigarh could be the next pit stops. Slow start, rapid growth remains the *mantra* for the golden arches in India. Their visibility is making the familiar figure of Ronald McDonald walk the talk!

• SANDEEP BAMZAI

Vital links in the cold chain



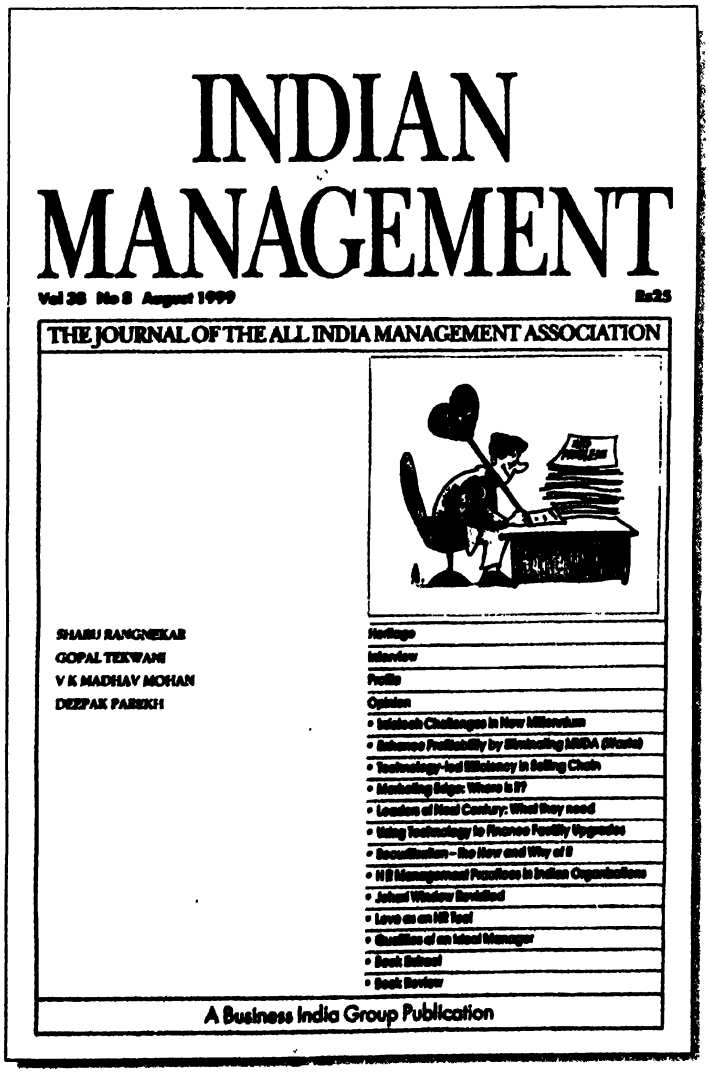
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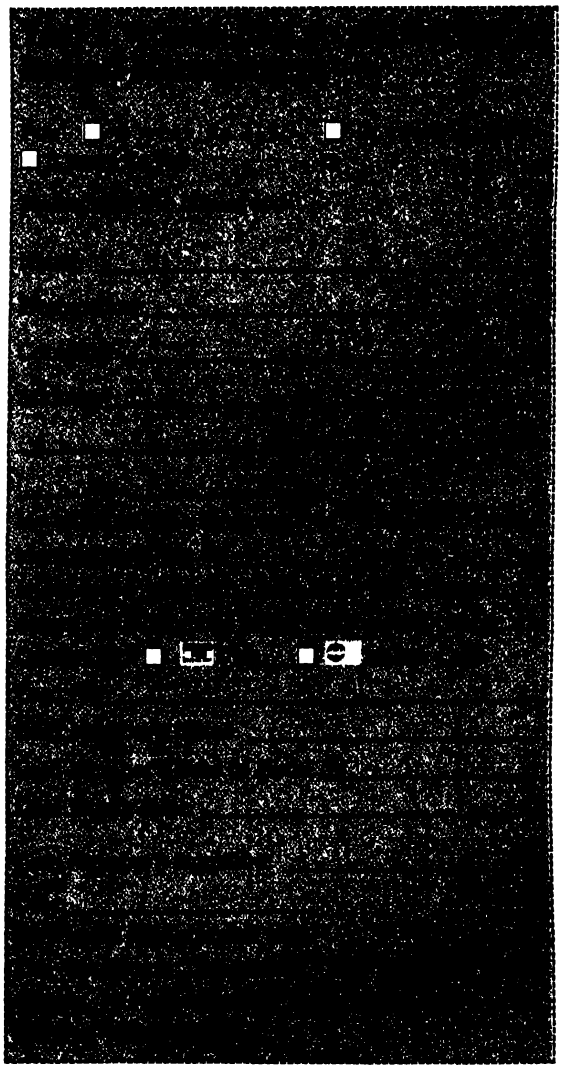
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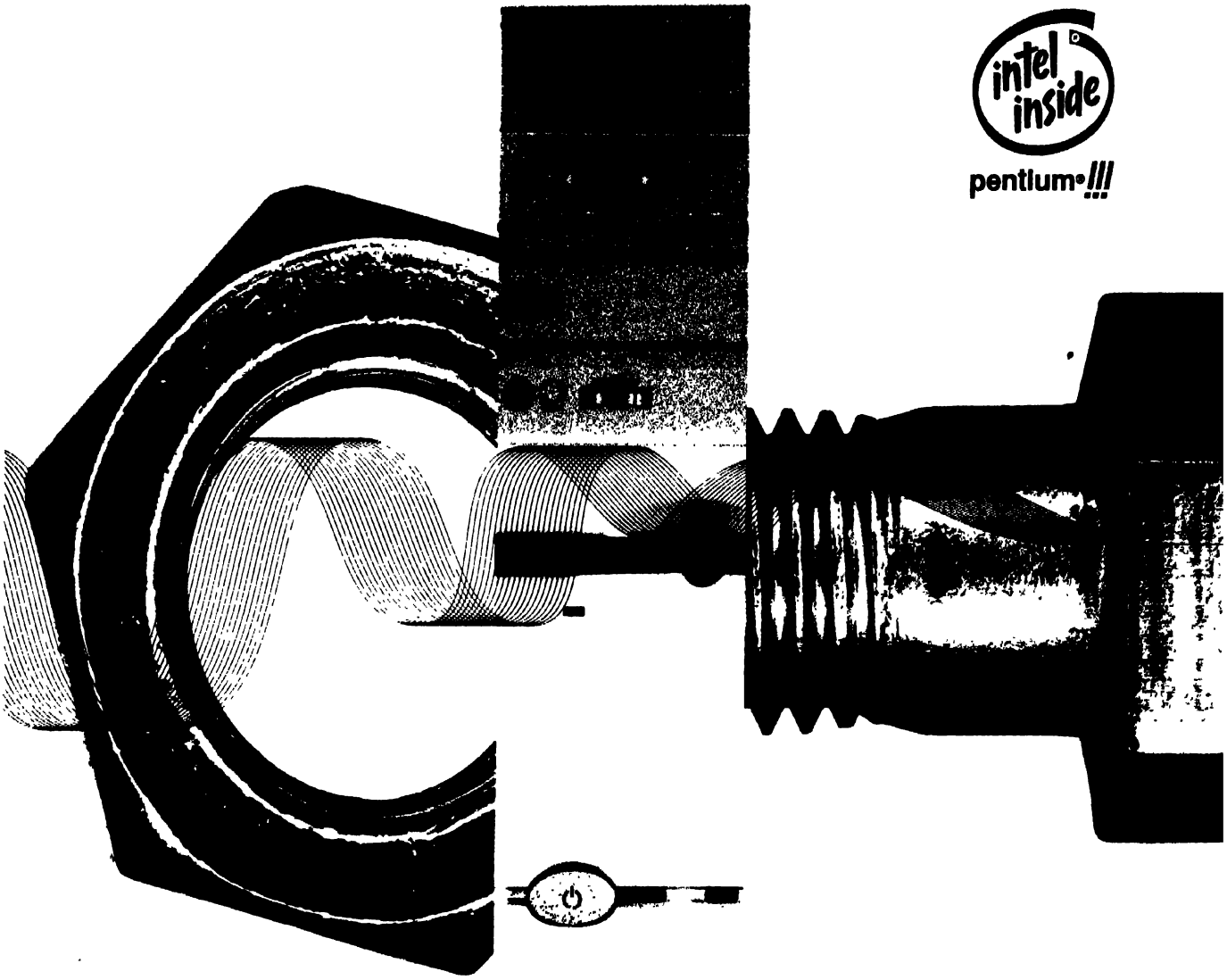
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Pumps and profits

Kirloskar Brothers has pumped up its order book position

Like all other companies, Kirloskar Brothers Ltd too felt the heat of recession last year. Although sales grew only marginally from Rs342 crore in 1997-98 to Rs349 crore in 1998-99, net profits jumped up 55 per cent from Rs10.7 crore to Rs16.1 crore. The reason – concerted cost-reduction, inventory reduction and a much tighter financial management. "We managed to reduce inventories by more than 40 per cent in a period of just seven months last year. This improved our cash flow considerably. Besides, we lowered our interest costs by retiring high cost debts. This exercise will continue this year too and we will manage men, material and money more efficiently," says Sanjay Kirloskar, CMD, KBL.

KBL is a 111-year-old company. It has parented all the major Kirloskar companies like Kirloskar Oil Engines Ltd, Kirloskar Electric, Mysore Kirloskar, and Kirloskar Pneumatic, which at some time or the other were spun off from KBL and now form the Rs2,000-crore Kirloskar group.

KBL is the largest manufacturer of centrifugal pumps in the country with manufacturing facilities at Kirloskarwadi (near Karad in Maharashtra), Dewas (near Indore in Madhya Pradesh) and Shirwal (near Pune). Recently, on 6 August, KBL became the first pump manufacturer and one amongst a handful of companies in India, to acquire the ISO 14001 certification for two of its three plants, namely Dewas and Shirwal. The Kirloskarwadi plant is expected to acquire this certification by early next year. The ISO 14001 is an international certification given to environmentally 'clean' plants which meet the global environment standards.



PHOTOS PRAKASH JADHAV

We will manage men, material and money more efficiently, says Sanjay Kirloskar

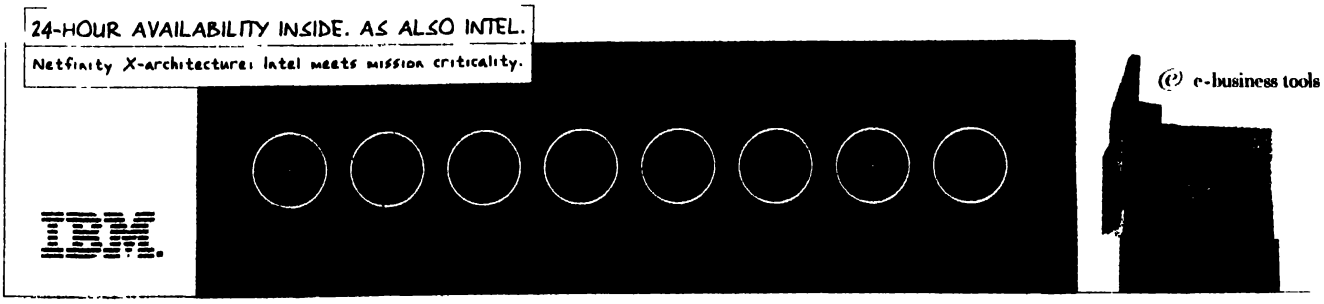
KBL's entire business has been restructured into seven business groups, known as strategic business units, namely, turnkey projects division (also known as the Projects and Engineered Pumps Division), industrial pumps division, agricultural and domestic pumps division, valves division, anti-corrosion products division, machine tools division and printing division. The first three of these divisions account for 92 per cent of KBL's turnover and the rest account for the remaining 8 per cent.

The turnkey projects division, which undertakes turnkey projects for the design, manufacture, installation and commissioning of large pumping systems required in power plants, irrigation schemes, water supply and sewage schemes, etc, is the largest division of KBL, which last year accounted for 35 per cent of its turnover. It is also the fastest growing division and has grown from a turnover of just Rs3 crore in 1989 to Rs130 crore last year (1998-99). Says R.K. Srivastava, vice-president (projects), "In the current year we are targeting a turnover of Rs154 crore and if the flow of orders is any indication, we should grow faster in the coming years." In fact, according to Sanjay, this division alone has the potential to grow to KBL's current size in the next 3-4 years. "But, there are no plans at the moment to spin it off as a separate company," adds Sanjay.

Some of the recent success stories of this division include the Takari Irrigation Project in the Krishna river valley in Maharashtra. At Takari, KBL has installed a complete pumping system with 32 large vertical turbine pumps, which together lift millions of litres of water everyday from the Krishna. This water is then channelled into irrigation canals which in turn irrigate 25,000 hectares of land.

The Takari project was quickly followed by the Mhaisal Lift Irrigation scheme in Maharashtra. The Mhaisal scheme is being billed as Asia's largest lift-irrigation scheme. KBL undertook the entire project on a turnkey basis.

The Mhaisal Stage-1 was commissioned in March 1999 when water from the Krishna river was pumped from Mhaisal Stage-1 to Mhaisal Stage-2. Once fully commissioned this lift irrigation scheme will pump a staggering



900 million litres of water per day to irrigate 46,000 hectares of land.

The Takari order was worth Rs22 crore and the Mhaisal order was worth Rs30 crore. KBL bagged these orders from the Maharashtra Krishna Valley Development Corporation (MKVDC), which has now placed another order for the Tembhu Lift Irrigation scheme, also in Maharashtra. This order worth Rs44 crore is being executed by KBL in the current year. Meanwhile, KBL has also just bagged another order worth Rs28 crore from the Andhra Pradesh Irrigation Department for its project at Chagalnadu.



KBL is the largest manufacturer of centrifugal pumps

Concretising strategy

In 1995, KBL manufactured India's first concrete volute pumps for the 500 MW BSES thermal power plant at Dahanu. After the successful execution of the BSES order, KBL bagged yet another order for concrete volute pumps from NTPC for its 1,000 MW thermal power station at Vindhyachal. This too has been successfully executed by KBL following which it bagged the third successive order for another five concrete volute pumps to be installed at NTPC's 1,000 MW super thermal power project coming up at Simhadri in Andhra Pradesh. With this, all the three concrete volute pump orders in India have been bagged by KBL, which thus has a 100 per cent market-share in such pumps. KBL is the only Indian company which has the technology to manufacture such pumps. It has won the latest of which is worth Rs56 crore. Significantly, it won the order in face of stiff competition from foreign multinationals, like GEO Alsthom, and Weir Pumps (UK).

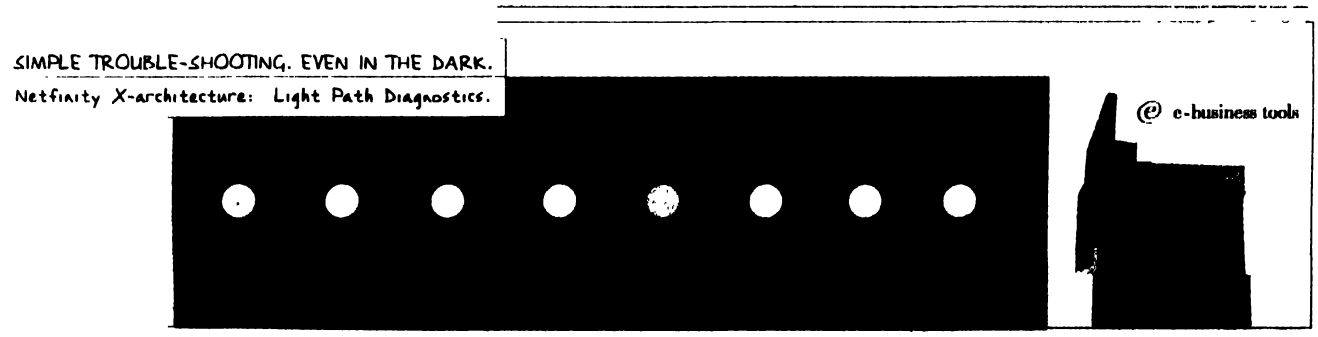
Another prestigious order in the power sector is the one that KBL recently bagged from Enron through Bechtel. This order for cooling water pumps for the Dabhol power plant is worth Rs10 crore. KBL's other clients in the power sector include GVK through ABB, Gujarat Torrent through Siemens, Spectrum through Rolls Royce, Nuclear Power Corporation, etc.

KBL is also very strong in the water supply and sewage sector. It has set up turnkey water supply systems for several large cities including Mumbai, Delhi, Pune, Bangalore, etc. "In fact, the year before last, orders placed by every municipal corporation in India came to us," says Sanjay. Besides, the water supply system to Kuala Lampur in Malaysia has also been set up by KBL.

During the last two years KBL has entered a new line of business, namely, setting up of small hydro power projects (upto 10 MW), on a turnkey basis. Accordingly in September 1998, KBL signed an agreement with Ebara Corporation, Japan, the world's second largest manufacturer of pumps and turbines, to manufacture hydro turbines under licence from them. But even before signing the agreement KBL bagged three orders from Tamil Nadu Electricity Board (TNEB), to set up mini hydel power projects at Aliyar, Mukurthy and Perunchani. The technology required to manufacture hydro turbines is very similar to the technology for making centrifugal pumps. "We had knowhow of 80 years in pump manufacture and Ebara had given us some drawings even before signing an agreement, such was their trust in us. So we went ahead with the execution of these orders with their consent, knowing fully well that it was only a matter of time before Ebara would sign the technology transfer agreement," reveals Sanjay.

According to data compiled by KBL, there are 2,667 identified sites in 26 states across India, with a total potential of 6,700 MW for small hydro projects. "The actual potential for small hydro projects is well in excess of 10,000 MW, out of which only 400 MW has been tapped so far. Considering that it costs between Rs3 crore and Rs5 crore per MW to set up these projects, there is huge potential of Rs40,000 crore of business," says Anirudh Kathavate, vice-president (Corporate Strategic Planning Services), KBL, who heads the group that identifies new areas of business for the company.

In the total turnkey business, KBL has a dominant 60 per cent market-share, four times higher than its nearest rival. "In the last two years we have bid for approximately Rs500 crore of



business, orders for which have still not been decided because of government delays and due to the slowdown in the economy. Now with an upturn in the economy, we are hopeful that these projects will be finalised," says Sanjay.

The industrial pumps division is the second largest after the turnkey projects division and last year accounted for 33 per cent of KBL's sales. KBL is again a market leader in industrial pumps with a 24 per cent marketshare. Last year it had a large order of Rs24 crore from Reliance through Bechtel, for the refinery at Jamnagar. In the current year, although exports of industrial pumps have been lower, it has been more than made up by increased demand in the domestic market.



V-Ps Kathavate and Srivastava: looking at greater growth

The acquisition route

The agricultural and domestic pumps division accounts for 24 per cent of KBL's sales. In this segment KBL has 9.5 per cent marketshare and is a close second to the market leader Crompton, which has a 10 per cent marketshare. These two companies are facing severe competition from around 500 small scale manufacturers who have sprung up in Rajkot and Coimbatore. "The only strategy for KBL to grow in this segment is by acquisition of smaller companies, which we are planning to do soon," reveals a senior KBL official. Domestic and agricultural pumps are relatively small in size and are manufactured at Dewas and Shirwal. Dewas alone makes over a lakh of these pumps a year, which is the largest number of pumps made at any one location in India.

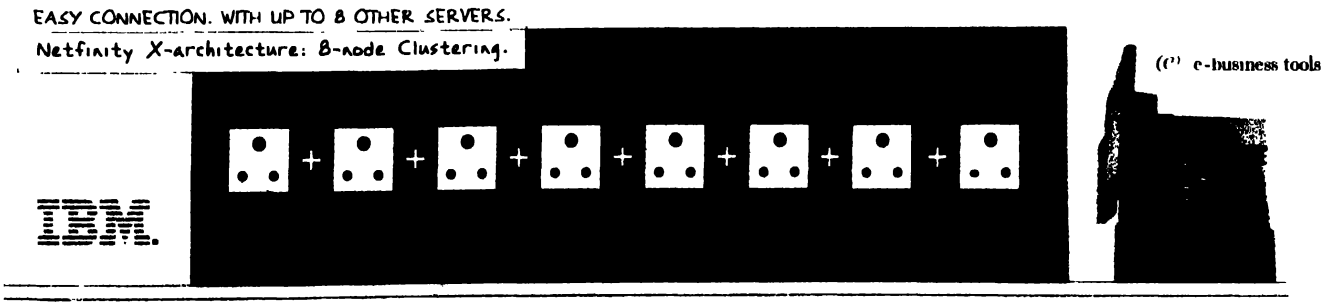
On the export front, KBL is the largest exporter of pumps from India. Last year exports totalling Rs65 crore formed about 19 per cent of its turnover. Actually it was in the previous year that KBL's exports peaked at Rs76 crore and forming 24 per cent of its turnover. However, last year, the Southeast Asian meltdown severely affected KBL as 50 per cent of its exports are to Southeast Asian countries. KBL exports to 60 countries worldwide, including the US and the UK, which together account for 30 per cent of KBL's exports. There are over 100,000 KBL pumps working along the banks of the River Nile in Egypt.

"Currently we are producing 2,000 small and medium-sized pumps per month at Kirloskarwadi for exports to Sigmond Pulsometer Pumps, UK, and TACO, USA, who have been buying from us regularly for the last 10 years," says Satish Pillai, vice-president, KBL, who heads the Kirloskarwadi factory. Another 150 high-value multistage pumps are presently being shipped from Kirloskarwadi to Hong Kong and Taiwan every month. There are 4,000 KBL pumps already working in Hong Kong for supplying water to high-rise buildings. "Over the last few years we have supplied about 7,000 pumps to Lao People's Democratic Republic (PDR) and apparently this has resulted in tripling the rice production in that country," says Pillai. In fact, KBL has a very large export order — in the order of Rs150 crore — in the pipeline. If that happens, KBL's turnover and profits will spurt in the current year and the next, as the order has to be executed in 15 months.

KSB Pumps is the second largest pump manufacturer in India and KBL's largest competitor. What do they have to say about KBL? "KBL enjoys a 40-year edge over any of its competition in the Indian pump industry. With this advantage, KBL has been a force to reckon with, specially in the water market, by offering a variety of pumps, ranging from the small fractional HP monobloc to the large concrete volute pumps. Along with KSB Pumps, KBL shares the credit for offering major technical advances to the Indian customer," says B. Langebartels, MD, KSB Pumps Ltd.

KBBL is expected to clock a turnover of around Rs160 crore in the first six months of the current year (upto 30 September 1999) and its overall order book position stands at a healthy Rs260 crore (minus the Lao export order). If the Lao PDR order materialises, KBL is poised to perform extremely well in the next 18 months. But it is in the long term that this company will realy pump itself up.

• ROOP KARNANI





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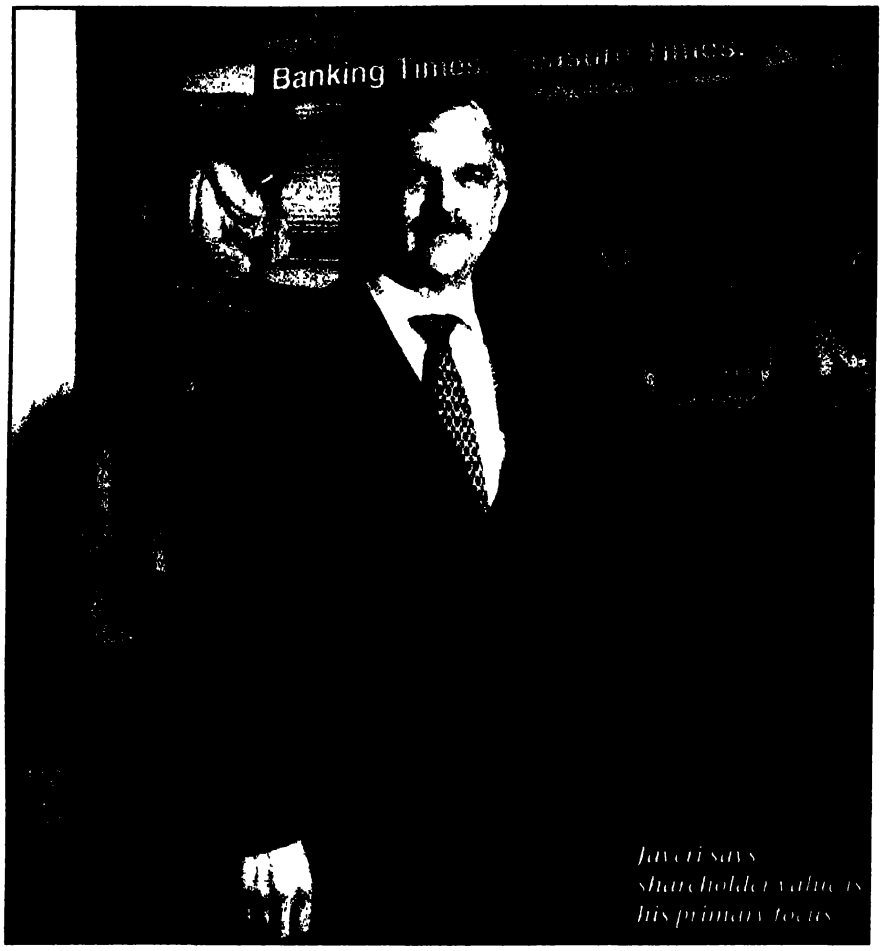
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Millennium moves

Long considered a takeover target, Times Bank is honing its business strategies for the millennium



SANJAY BORADE

Ever since it entered the industry Times Bank has carried about an image of smallness. Uncharitable bankers took pleasure in writing off its future existence. For a year now it has been widely believed that the promoters – the Jains of Bennett, Coleman & Co – are seeking an exit route. Last year there were whispers that the Jains had made overtures to Housing Development Finance Corporation (HDFC), but the impediment was the price quoted — a whopping Rs170 crore. Now the story is that they are scouting around for a strategic alliance which will eventually crystallise into a sale.

And it's not just the gossip emanating from the Chambers (at the Taj) or the Belvedere (at the Oberoi) where M&A deals are known to be negotiated. A small bank with assets of a mere Rs3,274 crore, Times Bank may not be able to take on the competition on its own. Further, it does not have a parent from the financial sector and, for much of its initial years, seemed to lack direction, languishing at the bottom of the list of new private sector banks that sprouted in the mid-1990s.

Nani Javeri, who took charge as the bank's MD in November 1998, strongly dismisses these developments. "First of all, I cannot speak on their (the Jains') behalf. But as per RBI regulations, they have to maintain a minimum stake of 40 per cent till the completion of five years of operations, which is till October 2000. So there is no question of them selling the bank. Besides, they are very keen to continue and there is no intention to disinvest fully other than RBI stipulations," he says.

Javeri also denies any suggestion of a strategic tie-up, but admits that at some point of time this may be necessary. "We are not aggressively looking for a strategic partner now, but we may do so in future. But there is nothing on the table as of today." However, he is quick to add, "It's for the promoters and the major shareholders to decide. But they must bring in value and will have to synergise with our strategies. And, of course, it will have to be at a price."

However, he agrees that the bank did keep a low business profile and last year's performance has not been exactly heart-warming. In fact, for a bank that has been around for a good four years, it could at best be described as mediocre. Assets increased to Rs3,274 crore in 1998–99 from Rs2,430 crore a year back and income to Rs327 crore from Rs259 crore, but so did non-performing loans, which more than doubled to Rs46 crore from Rs17 crore, thereby pushing its NPA provisioning up from Rs5.33 crore to Rs5.88 crore. Even the efficiency ratios are down. Return on assets slipped to 0.95 per cent from 1.19 per cent, return on equity to 17.46 per cent from 18.22 per cent, and operating profits as a percentage of working funds to 1.15 per cent from 1.53 per cent.

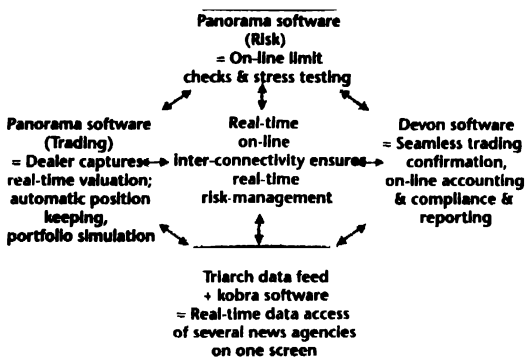
"I was primarily cold when I took over as managing director of the bank in November 1998. For one, I did not track private sector banking as I was in Australia when banking sector privatisation commenced five years ago. But not having a financial parent was an advantage as it ensured no past baggage and also no inertia that would impede growth," says Javeri, a veteran banker who spent nearly 32 years with ANZ Grindlays Bank. "What eventually won me over was that this bank had the name of Bennett, Coleman & Co and a philosophy of customer value," he adds. And it's because of this philosophy, he explains, that the promoters and board opted to sell the IPO at par value last June against advice by merchant bankers to price it at a Rs5 premium. Indeed, the shareholders

Restructuring the treasury operations

Times Bank is the first Indian bank to set up a middle office in its treasury department, which will police the operations on a real-time on-line basis. It asked PricewaterhouseCoopers (PwC) to conduct a diagnostic study of the treasury operations for a comprehensive risk management of its operations in November 1997. The entire work and settlement processes of treasury operations have been restructured. Sudhir Joshi, executive vice-president (treasury), says: "Last month the bank created a middle office which monitors the front and back offices in real time." The mid-office also performs audit function (again in real time) and actually controls dealing and exposure limits, ensuring that all settlements are done within regulatory guidelines.

K.P. Suresh Prabhu, vice-president (treasury), explains: "Even in the front-office module the dealer gets on-line information of his investment portfolio and he can simulate dealings on real-time valuations." For this the bank has installed Panorama and Devon software purchased from Infinity. In addition, it has installed Reuters' Triarch and Kobra systems for real-time data feeds from all the news agencies.

The benefit of real-time risk management is that it provides a safeguard against fraud à la Nick Leeson (remember how the rogue trader interfered with the back-office functioning of Barings, bringing the venerable 200-year-old institution crashing?). Apart from effective in-house treasury management, the bank can also offer real-time risk-management treasury services to its clientele, thereby increasing its treasury revenues. Besides, an enhanced treasury would enable it to offer derivative products as and when permitted by RBI. •



benefited from this. The stock is traded at above par levels – at Rs13.50 on 29th September.

And that's not all. The bank is making an effort to change its pedestrian profile to one of aggressive tech-savvy. In its office at the Old Lady of Boribunder the picture is totally different — there's hectic activity in all departments; officials are undeterred by their bank's pygmy size and are busy chalking out strategies for the next millennium. The thrust is on technology and Internet banking. The bank made a beginning by launching a Millennium Centre (self-serviced technology kiosks — a fusion of technology, and relationship banking) in Mumbai last August and has plans for two more. Besides, it has centralised its back-office operations in Mumbai, which means that all its 36 branches will be networked to this 'factory'. This will remove duplication of work, reduce cost of operations both in terms of labour and infrastructure, and improve the speed of processing.

Says a foreign banker, "The business restructuring looks like the bank has woken up after a long hibernation and it is trying to imitate Citibank on the retail side. Their Millennium Centre approach or direct banking that the bank is talking about is similar to the Citibank's Suvidha scheme launched in Bangalore." But Rama Sridhar, vice-president and head of direct banking, counters: "We are not imitating anybody. Ours is our own model. Banking has changed across the world from the traditional brick-and-mortar concept to providing convenience and choice to the customer. Internationally banks are used as sales outlets for their own products as well as mutual funds, insurance, credit cards, bonds, and a host of other products. And this is precisely what we are doing."

Moving with the times

To its on-site ATMs the bank plans to add another ten at various airports. It also wants kiosks at railway stations, departmental stores, and any place that has "good footwork", Sridhar says. The bank did not venture into credit cards as it did not have the financial muscle, but it is launching a debit card this month so that it has a complete package of direct banking products including phone banking, utility payments, and, of course, Internet banking.

It's not that the bank moved like a rudderless ship. It commenced operations in June 1995 after consultation with Arthur Andersen with a clear strategy of balancing evenly between retail and corporate banking. S.K. Sharma, executive vice-president (corporate banking), says: "Retail for the deposits, as it is cost-effective, and corporate banking on the assets side, as the bank had an established brand equity (Times) to attract a good corporate clientele." It has moved exactly on these lines ever since. "However, after three years, we evaluated our strategies and came out with a millennium plan last year," he adds.

As part of its Strategic Plan 2002 the bank has restructured its business matrix and identified three profit centres — corporate, treasury operations, and retail banking, which includes direct banking. Javeri is confident that he can give his competitors a run for their money by the use of superior technology (*see box*). Over Rs20 crore has already been spent this fiscal on technology.

Javeri insists he's not in the numbers game. "The balance sheet will grow significantly, but my primary focus is to make sure that shareholder value isn't eroded, which will be achieved by better productivity and efficiency ratios." Moreover, the bank is positioning itself as a one-stop financial services shop both for corporations and the retail customer. Any strategic alliance in the future will only improve its valuation. Times Bank is trotting in tune with the changing times.

• ROHIT RAO

Uncertain factors

Various factors have affected the growth of the factoring business. SBI Factors has been badly hit

The performance of SBI Factors and Commercial Services, a subsidiary of the State Bank of India, is not something to write home about. (SBI holds a 70 per cent stake in it — 54 per cent directly and 16 per cent through its associate banks). To begin with, the company reported a dip in its net to Rs3.26 crore in 1998-99 from Rs3.62 crore a year back. This is mainly because it had to make provisions for non-performing assets worth Rs45 lakh as against Rs7 lakh in 1997-98 as the NPAs in its books zoomed to Rs5.32 crore from Rs70 lakh a year back. "The NPAs have increased mainly because several industries were caught in the recession," is the defense of S. Banga, the MD of SBI Factors.

However, the company cannot be fully blamed for its abysmal performance. In fact, factoring as an avenue of financing working capital just hasn't taken off in India. The Reserve Bank constituted a committee in 1989 to examine the factoring business headed by Kalyan Sundaram, former SBI MD. The committee suggested that four banks — Punjab National Bank, the Allahabad Bank, the State Bank of India and the Canara Bank -- should set up factoring companies. PNB was to cater to the north, Allahabad Bank the east, Canara the south and the SBI the western region. The RBI was keen to promote factoring business, as this would open another channel of financing working capital needs of the commercial sector. However, only SBI and Canara Bank showed interest and formed factoring companies while the others, it seems, did not see any business potential.

SBI Factors was set up in 1991 with a paid up capital of Rs25 crore. However, even after eight years into the business and that too with the backing of India's largest bank, the net worth of SBI Factors is a mere Rs33 crore. Moreover, the company boasts a capital adequacy ratio of a whopping 37 per cent as against the RBI stipulated minimum CAR of 12 per cent. This clearly indicates that much of its capital is not being effectively deployed.



PALASHRANJAN BHAUMICK

Banga says factoring is not a sunset industry

Says SBI Factors' Banga, "The committee saw a business potential of Rs4,000 crore in factoring business in 1989, which is equivalent to at least Rs10,000 crore in today's terms. But the ground reality is quite different. The total factoring business in India comprises mere Rs1,400 crore with 3-4 players." The prominent ones being SBI Factors (with a turnover of Rs472 crore in 1998-99) and Can Bank Factors accounting for 45 per cent marketshare each and the balance 10 per cent being catered to by HSBC, SIDBI and Foremost Factors.

What is factoring? A factor buys the receivables with or without recourse to the seller, while a bank finances the same by discounting it. Factoring is cheaper than discounting as for one, the interest rates are lower. Secondly, the financing is for longer periods, from 90 to 150 days while in discounting a penalty is levied if the period extends 90 days.

According to Banga, this is a business whose potential has not been tapped. Factoring did not grow in its formative years because it was hamstrung by certain RBI stipulations. Between 1991 and 1996 factors were not allowed to borrow more than their net worth. In 1996, this was amended and they were permitted to borrow three times their net worth; this was further relaxed in 1998 when the cap was removed.

Adds D.P. Roy, DMD of SBI, who is also a director of SBI Factors: "Factoring has not found widespread recognition because of several hindering factors like the absence of legal framework spelling out the rights of parties to a factoring arrangement. Non-availability of credit insurance, which is necessary for without-recourse-factoring also impeded the growth of this business. But the real hurdle for growth is the reluctance on the part of banks to give letters of disclaimers for the factored debts." This is despite RBI's directives issued way back in 1995 to the contrary. (A factor insists on this disclaimer from a bank for mainly avoiding dual financing by the borrower. The letter is an assurance to the factor that the bank does not have any lien and therefore, in case of insolvency the factor has recourse on assets and not the bank).

Other roadblocks exist too. For instance, the NBFC status accorded to SBI Factors bars it from having recourse to debt-recovery-tribunals. Moreover, because of the NBFC status it cannot participate in the inter-bank call money market operations and cannot as a consequence capitalise its treasury operations, Banga informs. But within these limitations, SBI Factors is looking at doubling its turnover from Rs472 crore to over Rs900 crore in the current year.

"We are seeking RBI permission to introduce new products like reverse factoring (purchase-discounted bills), factoring bills drawn under letters of credit (LCs) and without recourse factoring this year," he informs. SBI Factors is negotiating with National Insurance to get insurance cover for without-recourse-factoring which will also help boost its turnover. Such moves should help in removing some of the uncertain factors in factoring.

• ROHIT RAO

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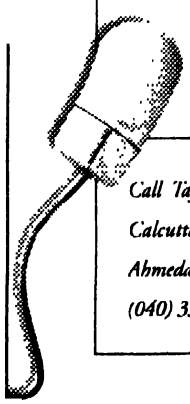


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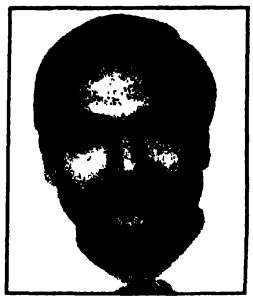


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The 'mismatch of facts' theory

In any investigation of fraud, determine whether all facts of the matter tie in with what is observed and explained

Many organisations have multiple sites, locations, and offices that are decentralised and enjoy a fair degree of autonomy. To monitor them is certainly not an easy task. Sometimes the physical distances between remote offices and the head office restrict regular visits from the senior managers, thereby giving local managers considerable freedom, which can be abused.

The following is one such instance. During the process of risk evaluation in a large organisation with multiple project sites, a fraud examiner noticed that there was considerable expenditure on hiring of cranes at a particular site. The expenditure had exceeded the annual budget by almost 120 per cent. In addition to three of the company's own cranes, there were five cranes hired from external parties, aggregating eight cranes in use for almost two years.

The management felt it was probably a case of inflated expenditure for kickbacks which were difficult to prove. Since the project had yielded an overall profit, such expenses were not given serious attention. However, they permitted the fraud examiner to investigate because the expenditure incurred was well over Rs20 lakh.

Accordingly, he examined and tabulated the crane logsheets for idle time review. That itself threw up the first notable anomaly. On an average, the cranes were idle for almost 62 per cent of the time! In fact, on one occasion, six cranes were idle for three weeks at a stretch. The site manager's explanation was that it was not possible to predict the requirement of cranes in advance since their requirement depended on several factors such as arrival of materials, availability of technicians, weather conditions, power constraints, etc, and, since the project had to be completed within the stipulated time, additional cranes had to be kept ready so as to avoid delay.

The fraud examiner was not fully satisfied. Since rates paid for crane hire were not very high, the probability of the site manager receiving substantial kickbacks was low. Further, the kind of cranes hired changed from month to month, ranging from 10 tonnes to even 100 tonnes, which did not fit in well with the site manager's explanation about unpredictability.

He applied the 'mismatch of facts' theory to test the entire crane activity. According to this theory, all abnormal findings are viewed macroscopically for corroboration with other facts, events, or findings. The objective is to determine whether all the other facts tie in with what is observed and explained. In this case, the theory was applied to test the cranes' extent of utilisation and idle time. He identified two tests: a) match crane drivers' overtime payments with time entries in crane logsheets, and b) match fuel consumption for the periods during which the cranes were supposed to be idle.

Sure enough, both tests revealed the results he had suspected. There were overtime payments as well as regular fuel bills even for the days and periods during which logsheets showed that the respective cranes were idle! The fraud examiner then decided to visit the site. He was astonished to see that all the eight cranes were in use, even though the project was nearing completion. Considering that even when the project activity was at its peak, several cranes were reported to be idle, it was unthinkable that all cranes were required to be put into use at the fag end of the project.

He interviewed some of the crane drivers and there he hit upon the truth: very often, the cranes were not used for the company's own business but were rented out to external parties in the vicinity for cash consideration. Cash received was obviously not disclosed to the head office but pocketed by a few top managers at the site. On further investigation it was found that even dumpers, diesel, and other items on which consumption could not be easily monitored were rented out.

The total cash revenue earned by renting out the cranes was about Rs60 lakh in the two years. It was shockingly revealed that the site managers had even printed and used a separate series of cash receipts to be issued to parties who insisted on cash receipts for payments made by them.

The theory of mismatch of facts is extremely useful and effective in determining existence of fraud in situations where physical monitoring is difficult or where symptoms of fraud are evident. If there are observations which do not ring true, finding out corroborative evidence is essential. All clues must fit for any evaluation or assessment to be complete. •

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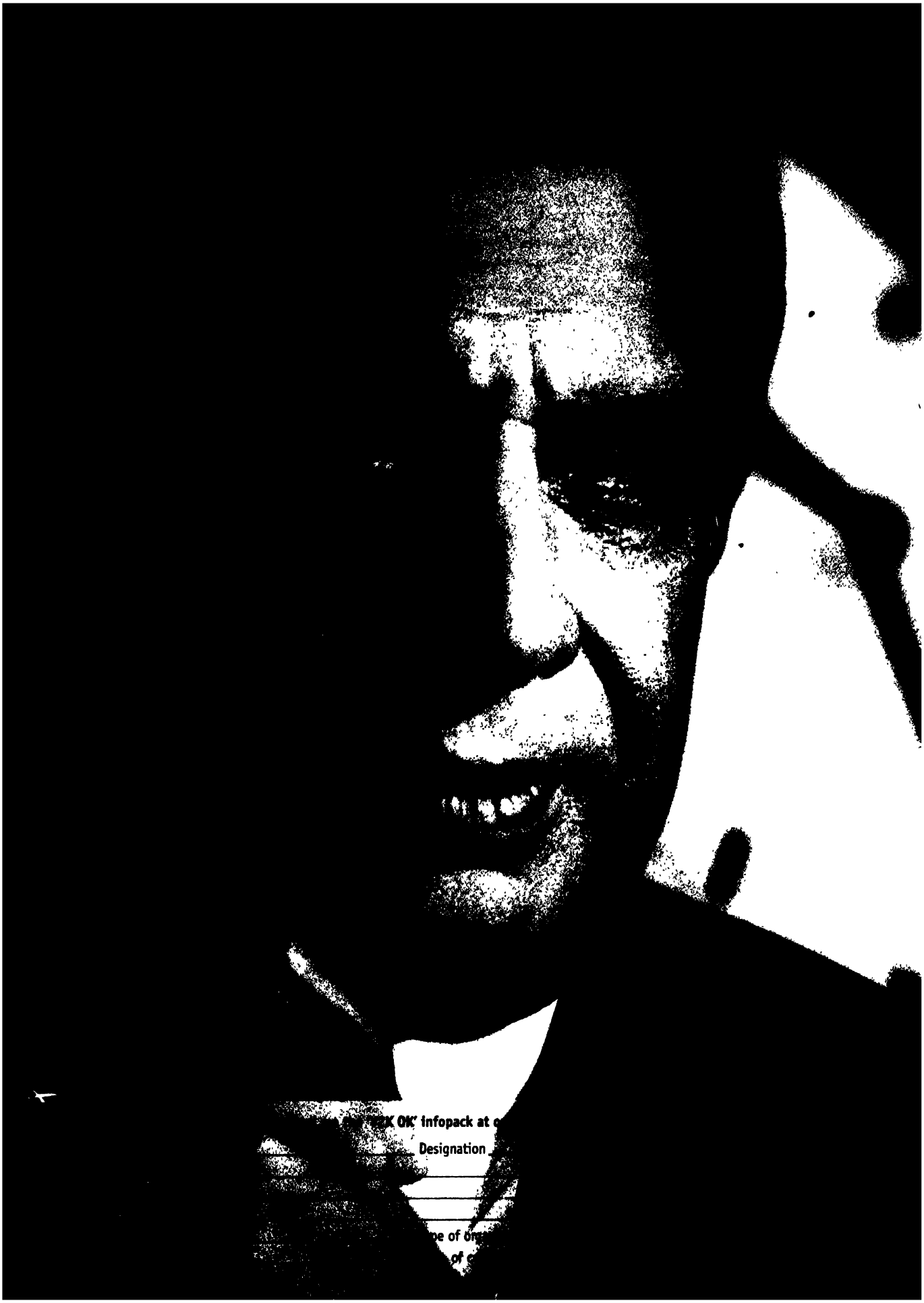
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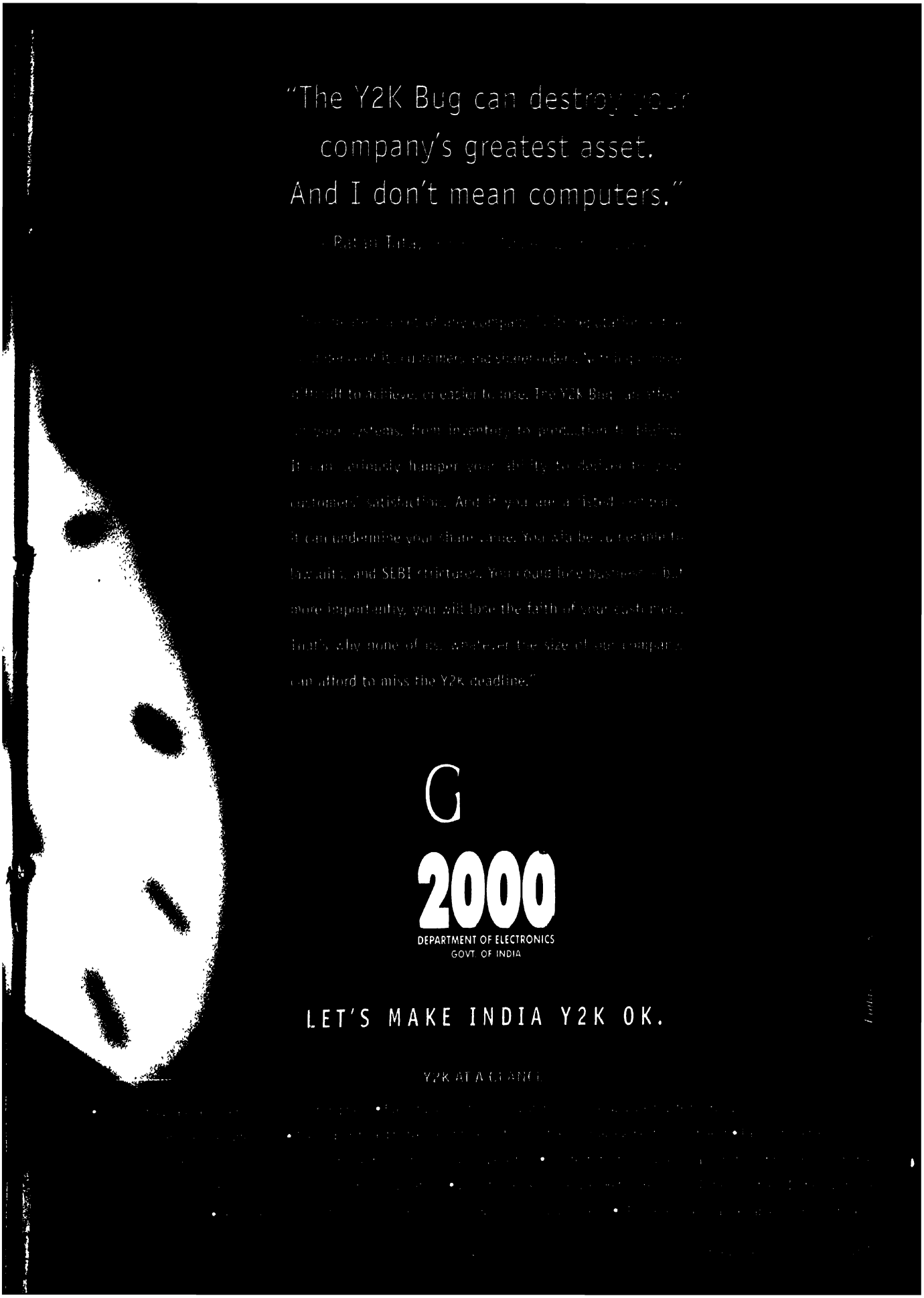
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The right stuff

Attitude is the key determinant of a successful business leader

Stephen R. Covey, the celebrated author of *The Seven Habits of Highly Effective People*, rated as one of the largest selling business books ever, has a simple solution for leadership during chaotic times — "base it first on principles". In case the leader has been groomed through Covey's four levels of personal trustworthiness, interpersonal trust, managerial empowerment, and finally organisational alignment, he can weather any storm, personal or business. But in the real world, achieving these very principles may prove a difficult task.

Maybe, or maybe not. Shiv Khera, one of India's well-known motivation and management gurus, does not think so. He feels it is not very hard for any leader to set his personal goals based on clear principles of character, integrity, good values, and a positive attitude. These Total Quality People (TQP) are not likely to sway when the storm hits. "I have asked CEOs and decision-makers all over the world what one thing they would like to see change in their organisation to make them more productive, raise bottomlines, and promote better teamwork. The answer was attitude," says Khera. A study done at Harvard University showed that 85 per cent of the time a person gets a job or a promotion because of attitude and 15 per cent on account of educational qualifications and skill sets.

There is an increasing belief and faith in 'intangibles' rather than tangible items such as bottomline, market share, product quality, and so on when it comes to understanding the way organisations function in the current competitive scenario. Leadership experts subscribe to the view that, to be effective, leaders should have a keen understanding of not merely the functional side of the organisation but also the dynamics of its working and its relationships with external variables. Such sensitivity would come from individual attitude, its effective grooming, and the degree of decision-making freedom the organisation may allow to the individual head.

This has become more valuable to Indian corporate leaders than ever before as they cope with massive upheavals in ownership, market positioning, and future focus strategies of organisations. In the automotive sector, for instance, the arrival of international heavyweights, initially in joint ventures and later as wholly-owned companies, e.g. General Motors' Opel division, Daewoo, and Fiat, did not radically alter the leadership of the previous joint venture arrangement. Rather, they got more support and freedom to carry on with their jobs.



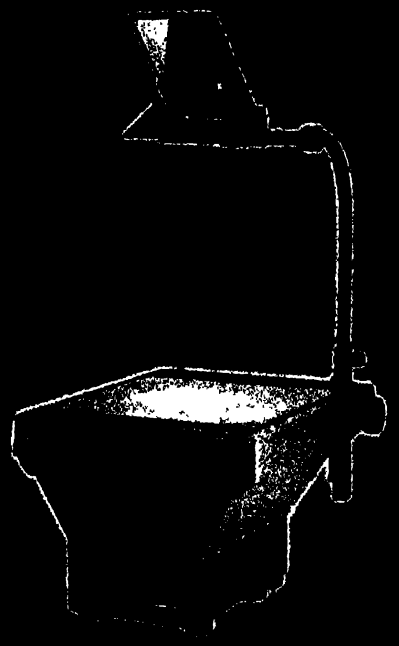
The international geographies concept of organisational structure which Indian software giant NIIT has successfully implemented aims at granting full autonomy and functional accountability to the geography head. The RPG group's restructuring programme involving all its 18 businesses, B.K. Modi's massive makeover bringing all his organisations under a single umbrella outfit ModiCorp, and Mahindra & Mahindra's reorganisation into six functional strategic business units with individual heads are all pointers to the way Indian organisations are coping with change, putting the professional leadership abilities of individual division heads above the top-down leadership model which was the bane of Indian family and professional businesses so far.

The Indian organisation's adherence to intangibles such as Covey's "value principles" or Khera's "personal attitudes" are merely indicators that organisations increasingly are getting more people-centric, something with which the very system of organisations itself started. It is an interesting contradiction that, while family businesses the world over (India being no exception), are breaking up and becoming professional, the dice are now loaded in favour of leadership by individuals. "It's not hard to resolve this position. While family businesses were principally based on leadership of the family patriarch or the clan, once the decay sets in it becomes apparent that those in command lack the attitudes to fend of the crisis," says Prof. R. Soni, who specialises in family businesses. The writing is on the wall. Irrespective of whether the person owns a business or is hoisted to the helm to manage its affairs, it would largely depend upon his individual ability to cope with change. It is not hard to see why, despite the ignominious fall in corporate reckoning, the once powerful Birla clan is clawing its way back based on the attitudes of the young Kumar Mangalam Birla, Soni points out.

It also goes to prove that inheritance does not automatically confer the ability to lead; rather, the attitude of the individual should be honed in such a way as to permit him to continue running his family business but also expand upon what was bequeathed. Sensing this as an interesting business opportunity, reputed business schools in India have in recent times started separate departments on family business, teaching both clan members and those aspiring to join family-centric businesses the dynamics of how these work — a right attitude to business.

▸A. THOTHATHRI RAMAN

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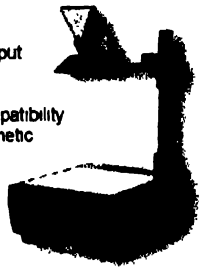
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AXIS / PS - 301



DIPANKAR GUPTA

The author is principal, business ethics and integrity services, KPMG Peat Marwick

Kick the habit

Remember, it's difficult to lead from the front if you're always looking over someone's shoulder

Organisations, like people, can become creatures of habit. Like people, institutions too can be lulled into somnolence by monotony and dull routine. But produce a challenge and the same lot of reluctant workers metamorphoses into a livewire team. It is this dual Jekyll and Hyde aspect in most companies that many managers find quite puzzling. How can a team that performs superbly on some days act like a pack of tired mules on other occasions? Instead of inquiring into the circumstances that bring out the best and the worst in employees, only the negative side is often emphasised.

The tempting thing to do under such conditions is to increase surveillance, supervision, and sanctions. The real enemy, however, is not inherent lethargy, the climate, or a perverse tendency to shirk work. Morale saps when confronted with routine, day after day after day. As routine transforms work into drudgery, the calibre of the workforce begins to decline. Goal-setting can help in these circumstances. But this too can become quite predictable. It is quite likely that the same goals will be repeated in terms of quality and quantum of services. Familiarity builds indifference which, if left unattended, makes the company less competitive in the marketplace. This is because employees begin to fear the new and refuse to kick back those settled ways of thinking. Consequently there is very little adrenalin in their performance charts. Combating this means more surveillance, more supervision, and more in-built distrust.

Putting life into work, upgrading quality of output, constantly motivating oneself to acquire better skills, cannot be done through methods that are purely external and coercive in character. The rules and procedures that bring such a desirable state into existence should require minimal supervisory effort. It has been found that the same team puts in qualitatively and quantitatively different kinds of work if properly stoked and enthused. When a job is given a certain charisma and surrounded by a lot of commitment from the boss downwards, the output is always much better than when it is otherwise. It is true that most jobs are humdrum and not deserving of special merit. It is here that senior executives can show their special skills. Only they can transform many routine assignments into 'high-priority jobs'.

The way to go about doing this is to periodically invest something innovative in what may otherwise be regarded as well-trammelled and well-trod regions. There should be a constant effort on the part of senior executives to create from among the routine crop of work as many high-profile jobs as possible. Sometimes delegating authority in an area hitherto only controlled by the superior can pose a challenge and positively affect the workforce. By giving every new assignment, no matter how routine it may appear, a certain cache, or distinguishing feature, transforms the perception of the job.

There is nothing like executive interest to galvanise the workforce across the board. When the need to rise to a challenge is communicated down the line it immediately brings out the best in the team. Looked at closely, it's not as if every routine job is really routine in character. There is always something specific and new in what has been condemned as uninteresting and without surprises. Perhaps the clients and consumers too do not see these latent facets either.

To be able to see something new in the old, to create adventure out of routine, can then make a great difference. Workers give more than what their formal contractual obligations require them to do, and consumers get more than they demanded. This excess is bound to be reflected in the economic well-being of the organisation. It is by periodically upping the ante in this fashion that certain players continue to stay on as leaders in the field. They preside over not just a compliant workforce, but one that is enthusiastic, motivated, and constantly keen to upgrade its skills. Most important of all, the cutback in surveillance and supervision is repaid several times over by a committed band of employees who are willing to pressure themselves for they love a challenge when they see one.

It is now up to true-blue executives to create challenges from routine exercises. This is how they pressure themselves and motivate those below them. It is difficult to lead from the front if one is always looking over someone's shoulder. So get cracking and kick the habit! ◆

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Reading below the lines

Companies are waking up to the fact that advertising works better coupled with below-the-line activities



PHOTOS VIVAS

Maitra and Shankar feel the new direct marketing activities are here to stay

The last time you got a direct mailer did you notice whether it was a laser print or a photocopy? Did you check whether it was a four-colour letter head or a simple black-and-white one? And did you see whether it was addressed to you by name?

If you didn't notice these things, then you are in a minority because not only are an increasing number of people noticing such small details, they are also responding to them positively. For instance, Direm Marketing Services Private Limited, a company specialising in direct marketing, noticed that 35 per cent of frequent British Airways fliers responded to the airline's mailers when they were personally addressed to them as against a mere 5 per cent who responded to simple black-and-white letters. "Now as a routine 90 per cent of all direct mailers are personalised. We brought about this change because we want to establish a long-term relationship between our clients and their customers," says Namit, one of the directors of Direm Marketing Services.

Direct mailers, however, are not the only below-the-line activity to have come under scrutiny. Companies are also shifting to visibly appealing letter heads and reader-friendly mailers, besides putting their data banks in place so that, if the situation demands, they can make house-to-house calls as well. While these changes are happening at a more visible level, there other not-so-visible changes taking place. Attention is being paid to details such as the right point of purchase and how a product should be displayed to get maximum mileage. Participation in exhibitions, trade fairs, road shows, retail promotions and schemes is also increasingly becoming a part of the new thought.

Helping companies along this path are a host of agencies specialising in below-the-line activities. Says Shiv Shankar, director (creative and strategy), Event Engineers Private Ltd, (EEL) a company set up nine years ago by Shankar and his wife Gayatri to provide expertise in all below-the-line activities under one roof, "The days of getting a Daler Mehndi to sing for your distributors when you launch a new product are over. Companies are beginning to realise that the hype and hoopla attached to an event at the time of launch does not necessarily translate into sales. People are now spending a great deal of time working out more detailed below-the-line activities."

Take the case of Tropicana orange juice. The company hired Direm Marketing Services for a test-launch in Bangalore last year without any support from mainline advertising. Says Namit, "The company didn't have a large budget. We checked out various possibilities like what would happen if they did not have any mass media to support their efforts. We worked out the various levels of discounts to encourage people to buy Tropicana and help other orange juice drinkers to switch. This exercise also helped us start the process of establishing long-term relationships with consumers."

According to Shankar, companies need activities that are tailor-made to suit their requirements. So, if EEL recommended a complete change in the staid image of Siemens, including going in for reader-friendly stationery and mailers, when it faced competition from more consumer-friendly players like Nokia, it advised LG Electronics to participate in trade fairs so as to be able to showcase its entire range of products in India. "We have to constantly work with a client. We can't have a one-time association because below-the-line activities have to be sustained over a period of time," says Gayatri Maitra, director, EEL.

This is a philosophy that RAMMS India Private Ltd (a sister concern of Maa Bozell Communications) also believes in. The company started out as a design house six years ago, but today provides a spectrum of services to help create a brand equity at the point of sale. The company, which had a turnover of Rs14 crore last year and is looking at doubling that figure this year, helps clients look for retail locations, works out agreements between the client and franchisees and also has a store-operating manual and staff-training exercise. Says regional manager Gunthey Prashant, "Companies like Planet Kids, with more than 15 outlets, need a store-operating manual. The operating manual and

staff-training programme help create a retail identity so that the consumer gets the same level of efficiency at all the outlets."

However, while agencies like RAMMS and EEL specialise in providing a range of activities under one roof, there are a number of other companies that are also benefiting from the increase in below-the-line activities. For instance, Pavilions and Interiors India Private Ltd, which specialises in setting up stalls for exhibitions and trade fairs, has seen a substantial growth in business in volume terms in the last two years. Says N. Biju, GM-business development, "The number of exhibitions and trade fairs being held has gone up manifold. Today there are exhibitions on just about anything — handlooms, textiles, hospitality, hospital and medical equipment and even on photography."



The days of mass advertising are over, says Prashant

Though companies cite various reasons for an increase in below-the-line activities, the most recent reason has to do with the opening up of the information technology sector. "This is the sector that triggered the whole thing. Companies in the IT sector needed direct feedback from customers so they had to concentrate more on establishing a one-to-one equation with their clients," says Shankar. According to Shankar, it was the opening up of this sector which prompted EEL to set up an office in Bangalore after Delhi and Mumbai so that they could tap IT clients in the south.

The most significant below-the-line work in this field has perhaps been done by Microsoft, which has a retainer arrangement with RAMMS for its personal application software and hardware. Under the arrangement, RAMMS, which has offices in Delhi, Mumbai, Bangalore and Calcutta and 13 associate offices all



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over the country, has managed the setting up of Microsoft's retail network including appointing retailers. "We have also taken care of the stock and inventory patterns and worked out the visual identity at the point of sale," says Prashant. For the launch of Microsoft's Office 2000 (for which 13 agencies got together to create the right hype and distribution), RAMMS worked out a separate identity which did not diffuse the earlier identity of Microsoft and also organised a number of contests at the point of sale.

According to industry watchers, another reason for the increase in below-the-line activities has to do with liberalisation and the consequent changes in market dynamics. Says Shankar, whose company EEL had a turnover of Rs 14 crore last year, "If you look at the situation from a very elementary level, earlier there was only one kind of washing machine and two kinds of detergents. Today, the market is much more competitive with a wide variety to choose from. In such a scenario, customer satisfaction is of more significance than ever before."

It is this trend that prompts Maitra to maintain that customer relation management is going to become very important in the near future. "A consumer will eventually settle for someone who provides the best after-sales service, so you should watch out for things like free service camps and other marketing exercises which provide a company that extra edge," she says. Couple this with a more aggressive marketing approach by companies and the situation could not have been better for these agencies. Says Sarika Mehta, branch manager of entertainment agency Wizcraft, "Did you ever imagine that automobile companies would let you drive their new cars without any frills for two days so that they can reach out to you directly? But it is happening now because everybody wants to be the first one to establish a direct contact with the customer."

There are others who feel that there has been an increase in below-the-line activities because advertising is no longer meeting the needs of a changing market. Says Prashant, "No matter how much a company spends on mainline advertising, it needs a trigger of recall at the point of sale. If that doesn't happen, all the money spent on mainline advertising goes waste." Adds Namit, "The days of mass advertising are over. This is the medium of the future."



Infotech companies have triggered the rush for below-the-line activities

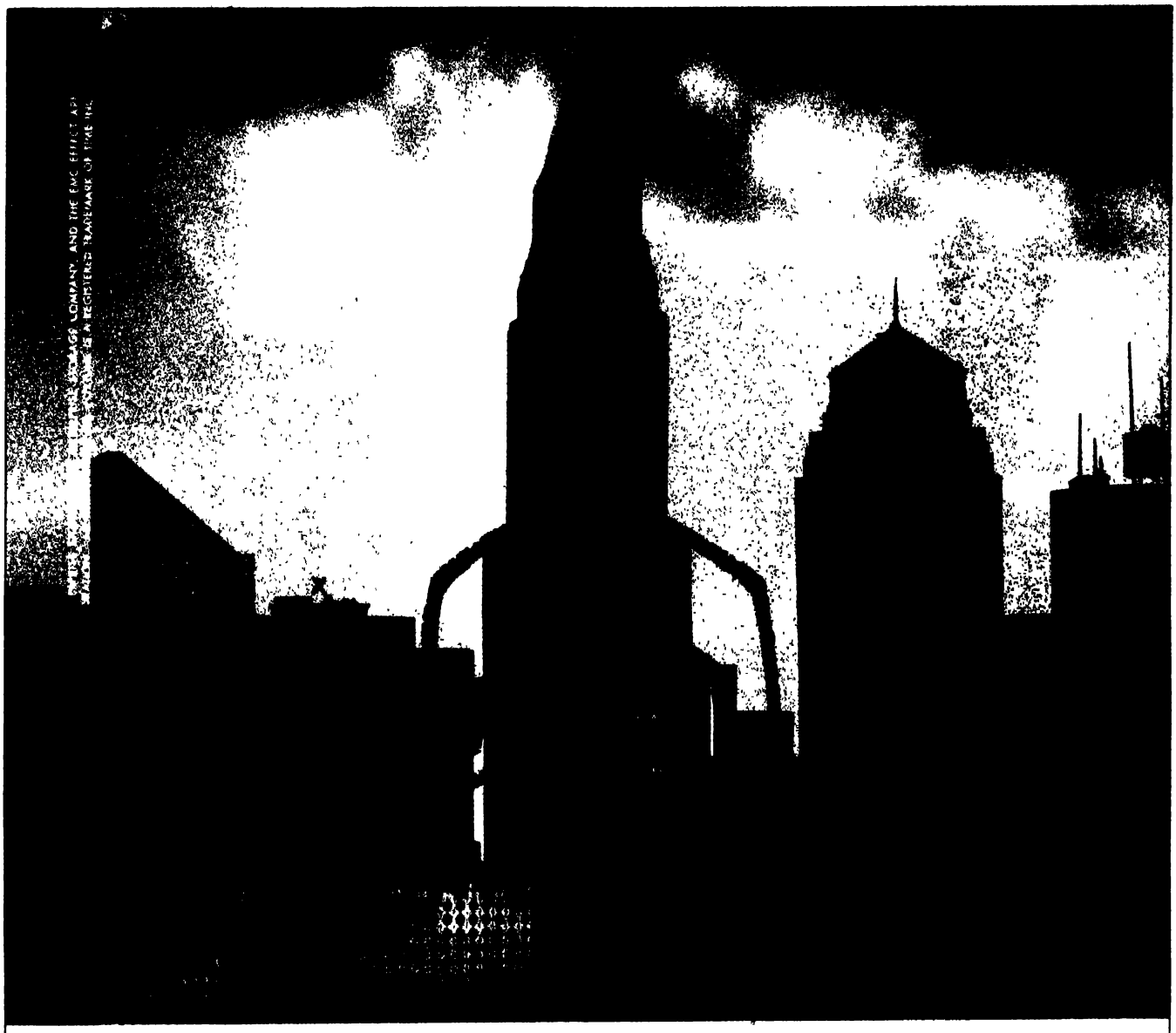
Not everybody subscribes to this view though. According to Achal Paul, general manager of Lexicon Events and Promotions Ltd, the right approach has to include everything — mainstream advertising, a bit of public relations and below-the-line activities. "You will need all of them to create the right balance," he says. According to Paul, this approach was successfully tried out by Lexicon when it undertook the launch of Candico sweets in India last year.

Lexicon came up with the idea of selecting 12 children from six cities as consultants for the company to launch its new products. These consultants were selected through a main media advertising campaign which not only asked the children to participate, but also asked them to inform the company if the products were not available in their area. "The company got many benefits from this combined approach. They got 350,000 letters, thus involving a large number of children in their programme. Moreover, they also managed to get their distribution in place thanks to the response they got for their ads," says Paul.

Adds Shankar, "I don't think mainline advertising will be totally out, but budgets will have to be rewritten to include below-the-line activities as well." That, however, is still a long way off. There are no studies to determine how much money is actually being spent on below-the-line activities right now and how much this figure is likely to go up.

According to industry estimates, 10 per cent of the total Rs3,000 crore advertising money is being allocated for below-the-line activities. This figure is a lot lower than the 50-55 per cent spending on below-the-line activities in more established markets like America. "So far, there has been no pot of gold at the end of the rainbow, but we feel that things are going to change from now on," says Namit whose 10-year-old company had a turnover of Rs7crore last year (with projections of a turnover of Rs-10 crore this year). But it is Shankar who sums it up best when he says, "It is the best practice worldwide. The Indian market too will have to adapt to it." And surely the best practice in the world is well worth waiting for.

◆ PUNAM THAKUR



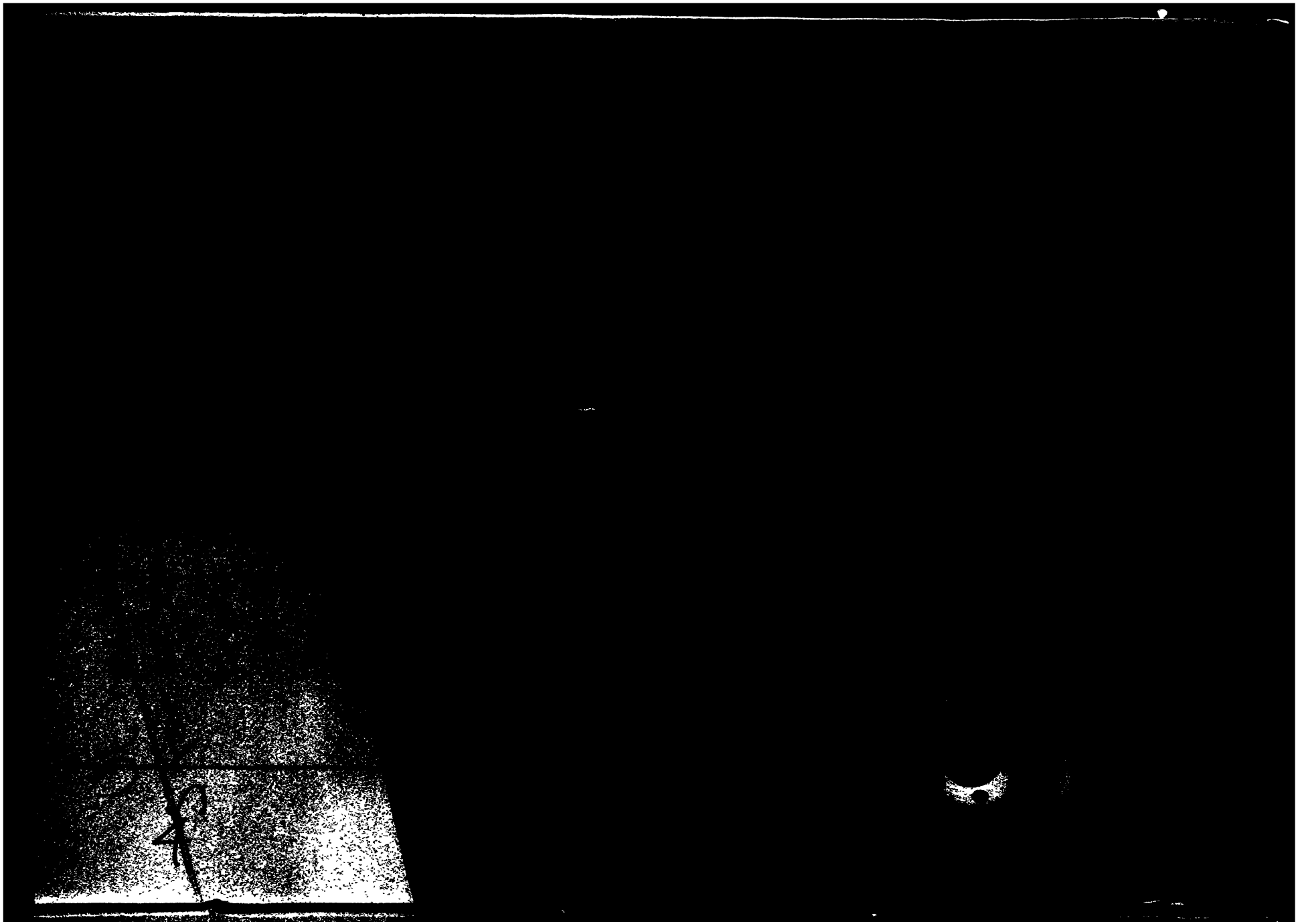
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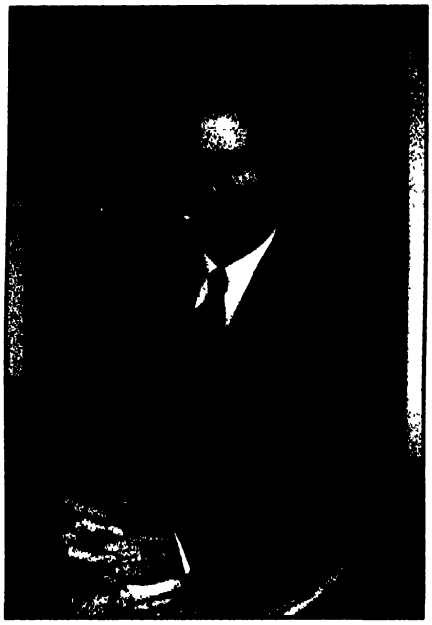
New entrant Wella is counting on service to differentiate itself in the Indian hair colour market

Last fortnight, DM2.6-billion (Rs7,020-crore) German hair cosmetics major Wella AG launched its brands in the Indian market at Trend Vision 2000, a show specially organised for beauticians and hair cosmetics professionals in Mumbai. The first product to be introduced from the Wella stable is the company's flagship brand Koleston Perfect, the world's first cream-based hair colour preparation.

Wella isn't new to the Indian market, though; it has been available through the grey channel for years. However, says regional director Asia/Pacific Andreas Riecke, "We have entered the market with a long-term view. Our target is to become the leader here." Godrej hair dye is the market leader with a 40 per cent market share and is unfazed by Wella's splash. "We hope its entry will improve awareness of hair dyes and colours and grow the market," says Hoshedar Press, vice-president (consumer products) at Godrej Soaps Ltd, which has been in the hair dye business for over a decade. While liquid and powder hair dyes are its older products, it recently launched the Godrej Kali Mehndi and Coloursoft brands.

Wella AG has entered the Indian market through a 74:26 joint venture with Raghu Mody group company JL Morrison (JLM) called European Haircosmetics Ltd, which will market and distribute the Wella product range, which will initially be imported. According to Riecke, Wella was eyeing the Indian market even before liberalisation. JLM, manufacturer of the Nivea brand of toiletries, itself has been undergoing changes since 1997. The company refocused itself and defined its core competency world class distribution, making it an ideal vehicle for new global brands wanting to enter India.

Wella's strength is in the hair colour business. For fiscal 1998 hair



UMESH GOSWAMI

Wella's target is to become the leader in India, says Riecke

cosmetics under the Wella brand name contributed 70 per cent to the company's turnover. About 30 per cent of this came from sales of professional haircare. Besides hair colours, perms, and other hair treatment products, Wella also sells technical products such as Welonda salon equipment and furnishings and Tondeo cutting tools. The company's fragrance business contributes 20 per cent to turnover.

What Wella is offering on the Indian market is a good brand, a selection of different shades and application techniques. But it is treading cautiously, introducing 17 (of its 170) shades to begin with. All of Wella's products have been tested specifically for the Indian market and, depending on the response, other shades will follow. "As India is a virgin market we have to learn and see what we can offer," says Riecke.

Wella has a two-pronged strategy. Being number two in the global professional hairdressing market, it is targeting the professional hairdressing market in India with Koleston Perfect. There are other products as well for the professional market — Welloxon Perfect activator, Wellazid conditioner, salon shampoo, and Blondor dust-free decolourant. On the retail front it is launching its do-it-yourself colouring kit Wellaton Kit, India being the third country globally where this brand will have been launched so far. The days ahead will see the introduction of many more products from the international range • comprising colours, perms, and styling products, as well as Welonda and Tondeo salon equipment. The products will all be sold at international prices, at par with L'Oréal.

In the Indian hair colour market, though players such as Bigen and Godrej hair dye have been around for more than a decade, their purpose has been essentially to conceal greying. Besides, as Indians have either black or dark brown hair, it is mainly these colours that have found a larger penetration level as compared to colours such as blondes and reds. Only after L'Oréal entered the hair care market in 1992 that hair colouring became a fashion statement. However penetration in this segment is still negligible.

In this small market, Riecke's trump card is service. "There's ample scope to provide added-value services as customers today get only basic service at salons," says Riecke. The idea here is to provide hairdressers with the entire gamut of services from trained personnel to bespoke equipment to managing salons. There's more — Wella will also develop technical teams that can advise salons in Mumbai, with Delhi, Hyderabad, and Calcutta to follow.

The plan is to start manufacturing locally at the JLM facility in Mumbai by next year. So far investments have been made in advertising, promotions, education, and infrastructure. "We will make a major investment when we get a better idea of the quantity of hair colour that is used in the market. This way we will add value to our range of products," says Riecke. And "major investment" means $100 million, which will be forked out only if Wella is sure it will succeed in filling the Indian market with its colours.

• BHAKTI CHUGANEE



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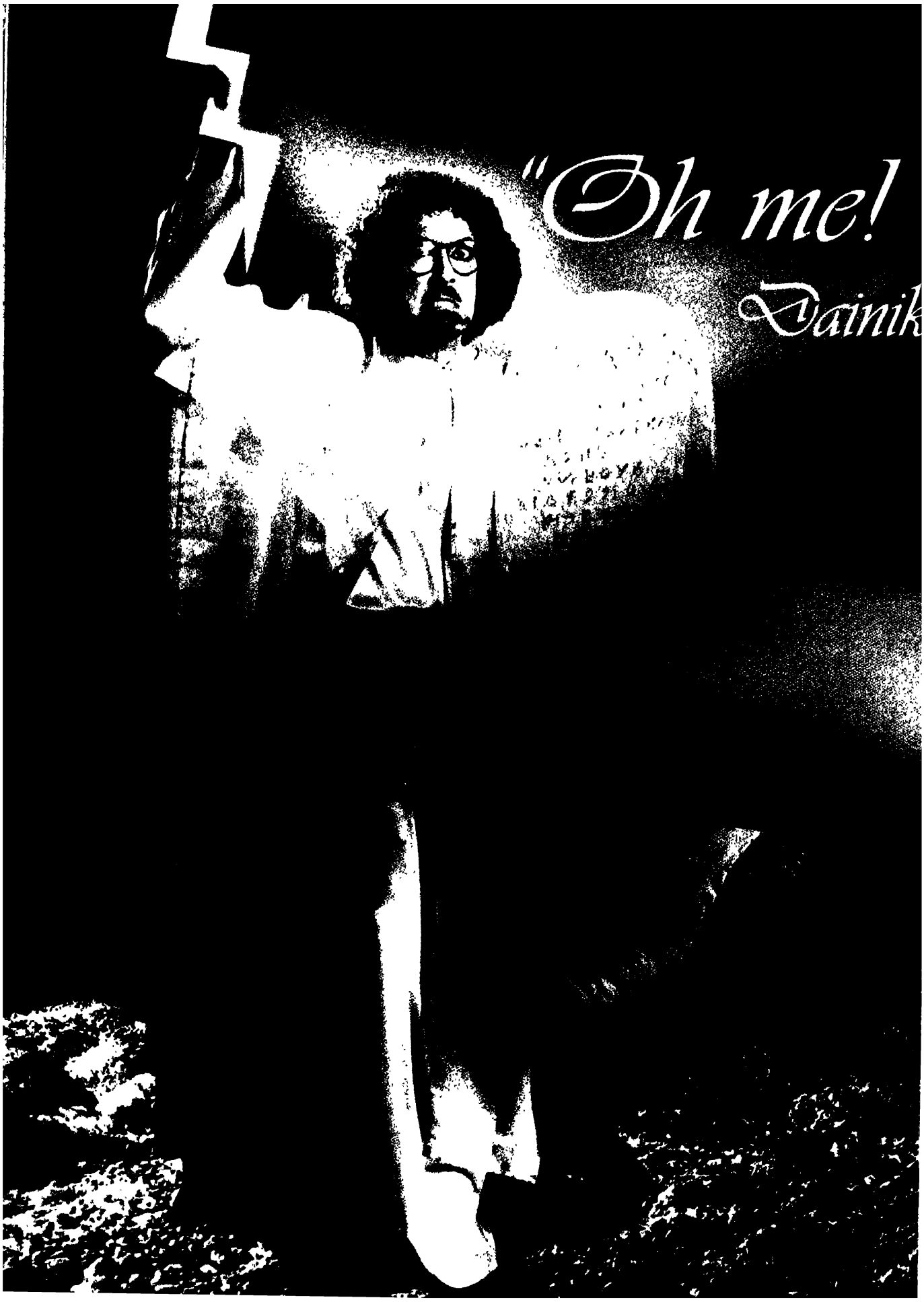
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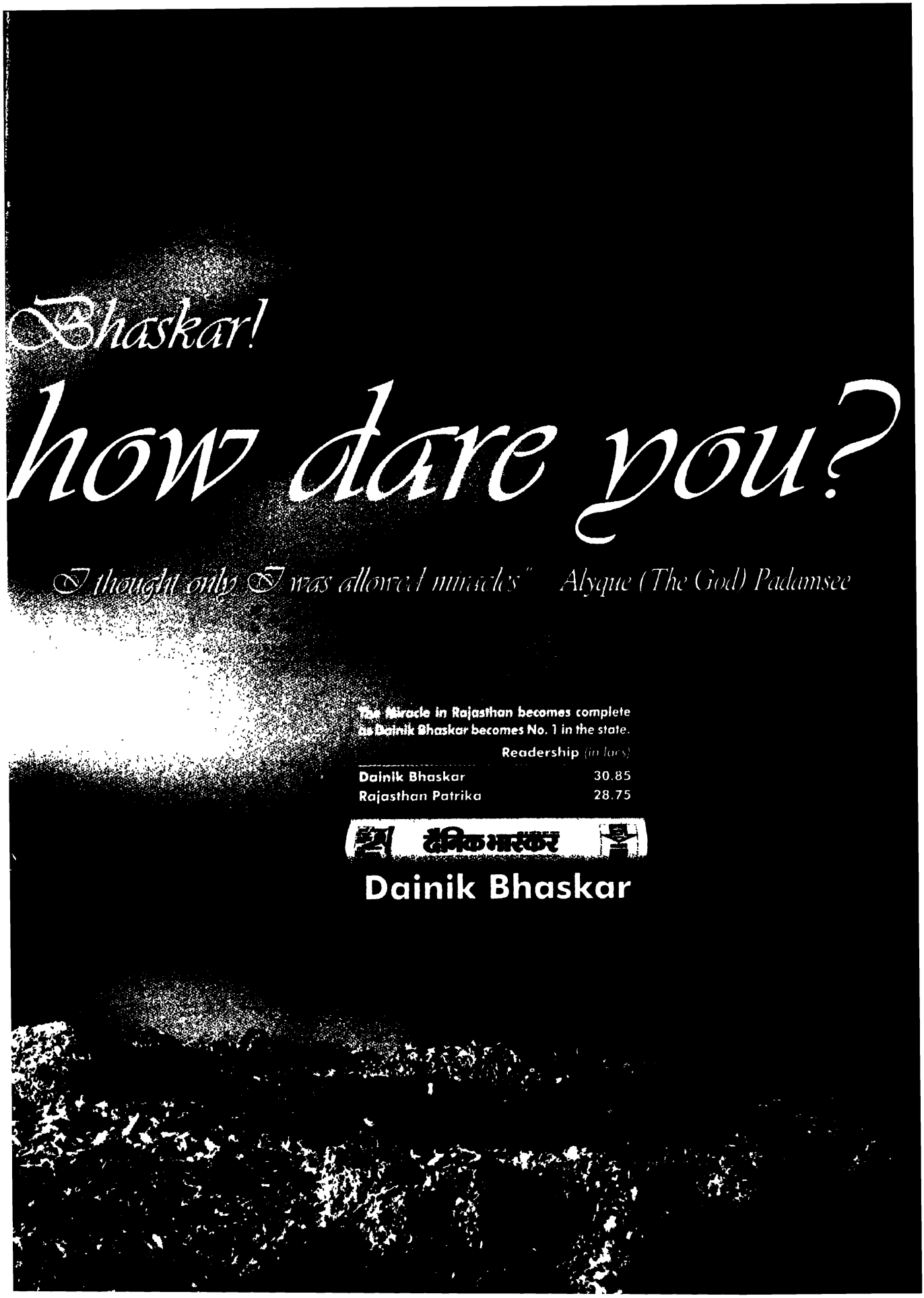
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Chiranjiv

Surging ahead into the new millennium

Soldiers of fortune

The growing need for security has spawned a new breed of sentinel — the private security guard

Anushasanpuram in Bihar certainly lives up to its name. For discipline is a way of life here. Ex-majors, colonels and lieutenants stride the camp turning supple striplings into brawny boys. This rigid rigour has a very firm purpose. It is meant to turn the docile into competent combatants.

It is the Naxals who have necessitated this parallel policing. Hundreds of years ago Buddha attained *bodha* (realisation) in Bihar. Today, lawlessness in the only law of the land. The palliative for persistent pain, is, therefore, private police.

Cut to Delhi. No Naxals lurk in the bushes. Nor is there a steady staccato of AK-47s. The criminal here is no roughie. For, clad in a white-collar shirt, he does not need to whip out a gun. When he decides to deceive, human ears do not feel the reverberations. The steadily emptying till is the only indicator of fraud.

"Criminals use sophisticated methods now. So security personnel too have to keep pace," points out Ravindra Kishore Sinha. Sinha is the CMD of the largest national private security agency, Security & Intelligence Services (SIS). So, out goes the Nepali 'gurkha', thought as adequate security in the past. Step in please the computer literate guard.

Liberalisation has added a new word to the lexicon of lawbreakers — the cybercrook. Swindling using the computer as a via medium is on the rise. From 2 per cent last year it has surged to nearly 13 per cent of the total crimes recorded this year. Unethical practices and white-collar crimes form over 50 per cent of the loss for any corporate house today. SIS's Sinha has a solution to this problem. Proper training in a security institute plus constant refresher courses.

Hence, the need for an Anushasanpuram. This SIS-run camp offers comprehensive training using sophisticated equipment and electronic gadgetry. The sprawling campus contains over a thousand students with ease. Also a state-of-the-art affair is the training centre of the UK-based Group 4 Securities in Delhi. In the capital, the number of special security agencies has shot up in the last couple of years. That Delhi is turning into a toughie turf is clear as these agencies are burgeoning at the rate of 100 per cent every year. The entry of foreign agencies has proved to be the cannon for this boom. The hundred registered agencies (including Indian ones) provide employment to over 15,000 people.

In terms of visibility, the parallel police vies with the Z-security of politicians. Private security guards of the various agencies can be sighted at virtually every nook and corner of the



Security personnel have to keep pace with the growing sophistication of criminals now, says SIS's Sinha

city. Does this unusual rise in special security indicate that Delhi has become the crime capital?

For the moment, the major players are not really looking the gift horse in the mouth. For they are secure in the knowledge that, in value terms, the industry is growing by over 150 per cent. Industry turnover was Rs55 crore this year, up from Rs22 crore in the last fiscal.

The need for private security

The state has contributed in no small measure to the rise of this industry. The ever increasing need of politicians for greater security has shifted the focus away from the common man. With bandobust duty (for festivals, polls, etc) that the cops are put on, becoming more frequent, investigations into petty thefts or minor crimes are put on the backburner.



Scenes from Anushasanpuram: Karate training is a must...

The pathetic state of police training has hardly helped the cause of the legal law enforcers. It has however, the private guard's. Witness the complete anarchy and chaos at the state-run training centre for Bihar Police, about 100 km from Anushasanpuram. The recruits lounge around lazily along with their trainers. They are into in all kinds of 'policing' and can be hardly seen doing what they are meant to, i.e., training.

Besides state apathy, the emergence of the modern security guard is also a function of the evolving needs of corporates. Executive director of



Group 4, Nandini Vaidyanathan, details how the humble gurkha metamorphosed into the computer-literate guard. Initially, when a corporate house employed a guard, his brief was merely sentry duty. When this advanced to monitoring the movement of goods and vehicles, the need for a slightly educated guard arose. Value continued to be added with the guard evolving to the modern-day computer-literate version.

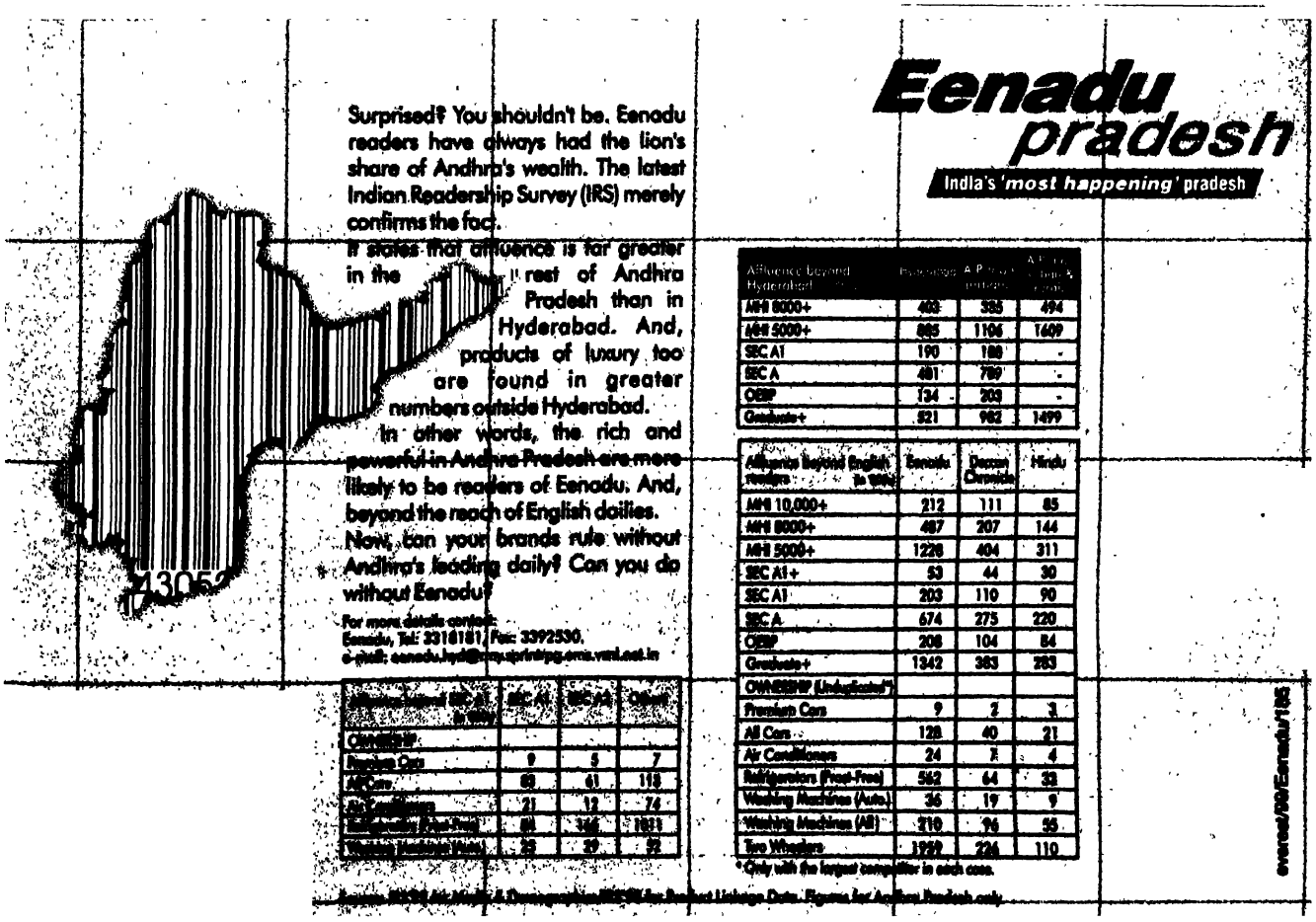
The private guard has certainly proved a better alternative than his counterpart in the government. "Recruitment, training, postings and appraisals are conducted professionally. Hence, efficiency is evident. The guards are accountable too, as, on their performance hinges the reputation of their companies. The state forces lack all these qualities," says SIS's Sinha.

"Being an MNC, we are able to instill a high level of motivation through comprehensive training. It helps the guard not only in honing his physical skills but also in acquiring the aptitude required for tackling sophisticated crimes," says Group 4's Vaidyanathan.



...the rigid rigour turns boys into men

Less high profile is the connection private guards have with heritage structures. Other than acting as guards for corporate houses, government offices, diplomatic missions and residential complexes, private security is being employed to protect heritage monuments too. Such historical edifices include the Taj Mahal, Qutab Minar, Konark, Ajanta & Ellora caves,



Khajuraho and Fatehpur Sikri. The private police protects these sites from pilferage, misuse and natural hazards.

Besides basic security services, some agencies provide total solutions to their clients. Such valued-added services include cleaning, meter reading, and training to client staff and placement services. "Our core competency is security. However, as we maintain a 24-hour control room and have other infrastructure, we can provide services for all the activities of the client," says Vaidyanathan.

SIS's Sinha reveals that even the state police and anti-riot forces employ their services. This is because the private agencies maintain a force of well-trained professionals, many of whom are ex-servicemen. The medical facilities, trained animals and transport belonging to private agencies do come in handy for state forces at short notice. The highly reputed companies also command some respect in the police force. The latter uses the former's services not only in its routine work but also during emergencies.



Patrolling with dogs in progress at Anushasanpuram

Guards or blackguards?

Barring the reputed agencies, the police is however apprehensive about the credentials of others. The unorganised nature of the industry makes it difficult for the authorities to differentiate between the genuine agencies that can aid the police force through their intelligence network and manpower and the spurious ones.

Electronic security gadgets too are becoming increasing popular. "The emphasis is shifting towards advanced electronic gadgets which can do the job more efficiently and accurately. Hi-tech electronic gadgets have become available in India in recent years. Besides corporate houses, residents too are beginning to find use for security gadgets," reveals K.N. Prasad, formerly the Union home secretary and now consultant to security agencies. Closed TV circuits and other security systems are bound to figure prominently in the security map of the future.

Whether gadgets can eventually replace humans is a moot point. The focus currently is on the doubts the sudden emergence of this class of security force has raised in the minds of many. Put simply, are private securitymen guards or blackguards? Shravan Kumar of Ruchi Security Services details the shady manner in which many security agencies operate. "Over 500 agencies that have come up in the last few years belong to some local toughie. Young lads from Bihar, UP and Haryana are chosen. A good physique and tough talk suffice as qualification. No training is imparted. The product is tough domestic helps."

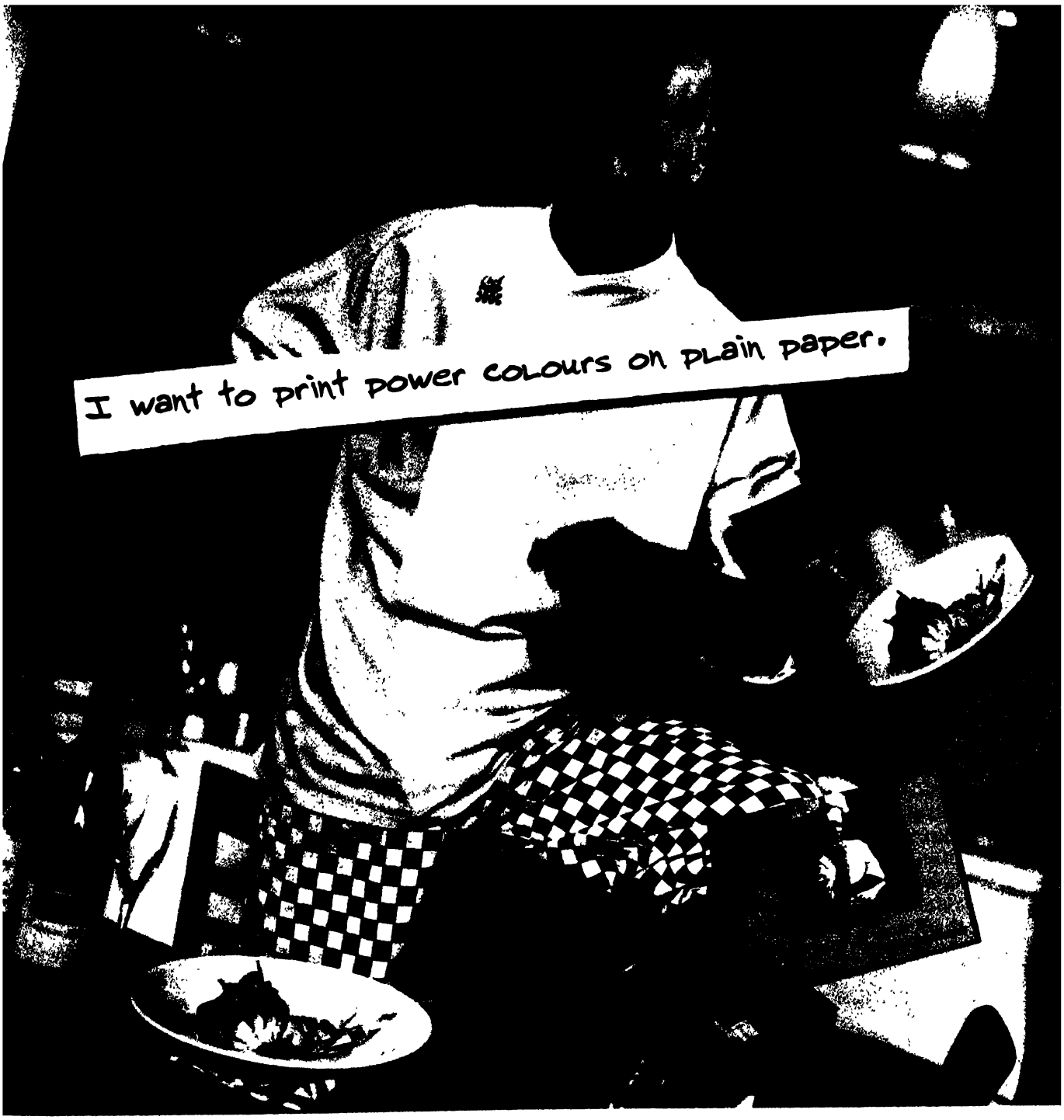
Besides providing guards of a bad quality, there are other dangers too. "The cost of churning out such guards is ridiculously low. No reputed agency can compete with the low costs of such agencies. As all private guards are dressed in smart uniforms, the common man is not able to make out the spurious from the genuine. As the army of spurious guards is burgeoning faster than the number of recruits in the organised sector, the entire trade gets a bad name," Kumar adds.

A closer look at the industry reveals how ridiculously easy it is for the wrong kind of person to gain an entry. Procuring a licence is a simple task. There is no distinction between a company that provides a slew of sophisticated services and another that provides only sentry services. Thirdly, there is no regulation regarding the fees that a company can charge. This leaves the established companies vulnerable to severe undercutting by small-timers.

Another aspect worrying legal experts is: where does state policing end and that of private agencies begin? For example, how far can a private agency participate in curbing espionage activities, or contain riots or violence. There are no guidelines for this. While registered agencies can use even firearms or resort to a lathicharge to check violence, those without firearm licenses are likely to resort to other means to achieve their ends. And lack of regulation makes it difficult to control them. So is the private police dressed to kill? Group 4's Nandini clarifies her outfit's position. "We emphasise unarmed combat rather than making our guards trigger happy."

The unorganised players cannot, in the long run, curb the growth of the organised private security agencies. Once the dust settles, each sector will end up having its own well-demarcated turf. Also, there are no doubts on the growth of the private security industry. For, till the desire to pinch pelf persists, so will the need for parallel policing.

• MANOJ NARULA



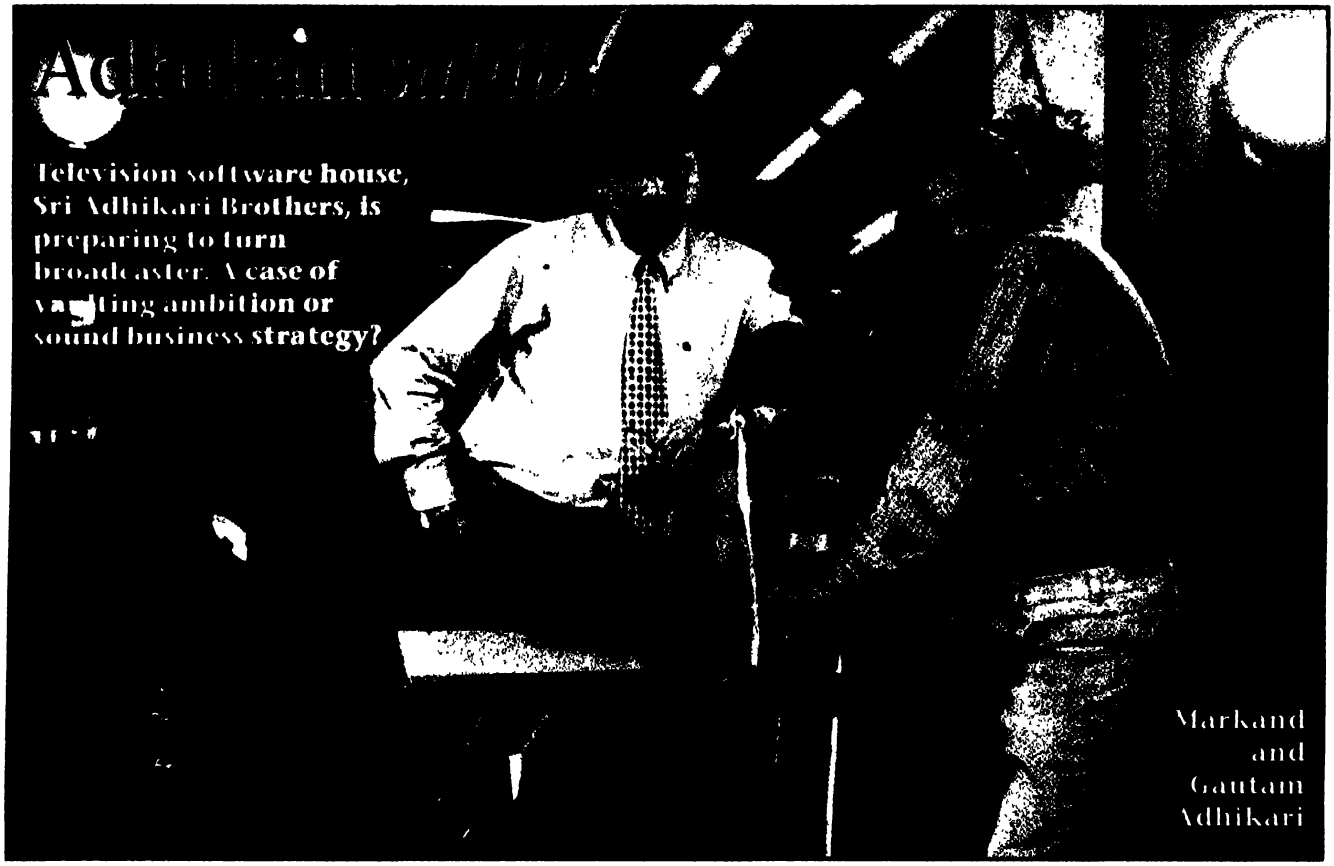
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Expanding Possibilities



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UMESH GOSWAMI

The Adhikari brothers are sitting smugly in their spanking new glass-fronted office — Oberoi Chambers — in Mumbai's western suburb of Andheri. During the auspicious Ganpati festival, they moved into their 16,000-square-feet office complete with studios, post production suites, FX, promo-graphics and non-linear DG Beta rooms. The whole ball of wax has cost them a fat Rs9 crore. State-of-the-art equipment which is being imported is going to cost an extra Rs5 crore. Brothers Markand and Gautam, joint managing directors of the eponymous Sri Adhikari Brothers Network, are in the throes of their most ambitious project yet: launching a general entertainment Hindi channel.

But wait, wouldn't that be a case of one too many? Besides, bigger names have met their nemesis when embarking on just such a course. No way, says Markand Adhikari. "We have concentrated on television software for years now and built a solid reputation. When you want to expand, you should first strengthen your core competence. Unlike so many of our peers we didn't stray into unplanned diversifications. Now we are ready to take the big leap forward into broadcasting and turning into a full-fledged entertainment conglomerate."

The channel titled SABE TV (pronounced Sahib TV) will be free to air initially. According to Markand, "In the first quarter of 2000, we should be up and running. I am already negotiating with two or three satellite platforms and we will be uplinking from either Singapore or Hong Kong." Which means it could be a toss-up between the more expensive Asiasat 3 or Singapore Telecom 1 or the cheaper Apstar or Thaicom.

The Adhikari brothers have gone about their venture in the right way, appointing international consultants KPMG to prepare a business plan for the channel. The duo now have other reasons to be pleased as punch. KPMG's valuation of 1,500 hours of television software is a staggering Rs53 crore. This, working in conjunction with the vaulting share price — Rs431.45 (28 September) with a P/E of 30.7 on the BSE — can only mean more smiles all round.

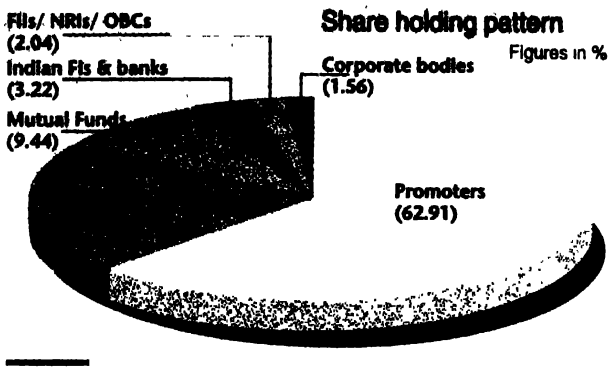
The Rs32-crore (1998-99) Sri Adhikari Brothers Network Ltd (net profit of Rs7.2 crore) is obviously on a high growth path. Projections for 1999-2000 are Rs40-crore turnover and a net of Rs10-crore. The new premises were funded by preferential warrants which were issued last year, raising Rs7.5 crore. The balance came from reserves and internal accruals.

But considering that the new project will require substantial capital the company's financials are being restructured. The first tentpole is expansion of equity from the present level of Rs7.5 crore. Markand is gung ho because a very high premium is being offered by a couple of foreign institutional players. While the promoters' stake will be diluted from 62.9 per cent currently, the Adhikari brothers are keen to retain majority shareholding. So, 11 per cent dilution of the promoters' stake is likely to be the first step.

As Markand says, "We are not in favour of a great expansion of equity. KPMG will decide the share price for the placement. But for now everything is under wraps." KPMG, meanwhile, has

decided not to discuss this subject at all since the sensitive due diligence process is currently on.

What makes Markand Adhikari so confident about the venture? Says he, "It is not a question of being different. I genuinely believe that there is scope for a new channel. Remember every sixth individual in the world is an Indian. Let me give you a preview: Sri Lanka has five general entertainment channels, Indonesia has six and Tamil Nadu has half a dozen. I honestly believe that with the right kind of software, this country can easily soak up many more channels."



Anil Wanvari, editor of *Indian CabSat Reporter*, reckons that there is room for another channel. But, he says, "The matter of positioning is important, if it is going to be a family entertainment channel. Content remains paramount, followed by packaging, branding and distribution. Remember, there are only four million television sets which can receive more than 12 channels, so you have to force your way into the prime band to grab the viewer's eyeballs." Wanvari says that the Adhikaris are masters of mass-based programming and if this is effectively packaged and backed by very deep pockets, they could pull it off.

Yet, broadcasting remains a different kettle of fish, as distribution carriages have to be strategically managed. Moreover, marketing commercial time for programmes and marketing channel air time is once again a different ballgame. With Zee TV and Sony Entertainment TV battling for ratings and advertising revenues and Star Plus now divorced from its bedfellow ready to turn into a complete Hindi entertainment channel, there is enough competition as it is. And, let us not forget Doordarshan which is trying to reinvent itself! Further, the south of the Vindhyas is replete with regional channels which are dominating marketshares.

How then will SABE TV distinguish itself from the others? Adhikari's response is that nothing new will work on television. His programme list includes the usual — sitcoms, drama, thrillers, horror, talk shows, countdowns and film-based programmes. Adhikari's action plan is to have 25 per cent in-house programming while the rest will be contributed by all the production houses. In fact, in many ways, the Adhikari brothers are already working like a *de facto* channel — making programmes, marketing the commercial time and retaining the copyright — so it is just a question of operating their own channel.

Hit parade

Programme	No. of episodes	Channel
Commander	150	Zee TV
Shriman Shrimati	150	DD Metro
Waqt Ki Raftar	550	DD 1
All the Best	200	DD 1
Suraag	just started	DD 1

The edifice of the Adhikari Brothers success story is low-cost, high rating, mass-based hit programming. The two brothers — Gautam directing and Markand managing — have come a long way over the last 11 years. From Marathi serials for Mumbai Doordarshan to *Commander* for Zee TV to one of the most dependable programmers for Doordarshan — that is the road they have traversed. Concurrently, they will not be taking their programmes off Doordarshan as it is the world's largest broadcaster with terrestrial connectivity. Adhikari says, "I have been a dedicated producer for DD with top rated shows like *All the Best, Shriman Shrimati, Suraag* (the latest one-hour thriller on DD-I), *Damini* (one-hour daily Marathi soap on DD-1 regional)."

Coming up in October and November are premieres of *Chehra*, a tele feature film and Marathi film *Anthar*, respectively. Also in October, Adhikari Brothers will unveil *Aao Jume Gaye*, a talent search anchored by Annu Kapoor for kids.

"The project cost is in the vicinity of Rs125-130 crore and I expect to break even (accumulated) in the fourth year. The channel will be a 100 per cent subsidiary of the listed company SABTN Ltd. My greatest concern is that I have to provide value to my shareholders from day one and more importantly the capitalisation of the channel should be to the advantage of my present shareholding. However, all this is subject to not just shareholder approval, but all statutory requirements will be fulfilled. We will be calling an EGM within the next two months for this."

Many professionals (the buzz is that Karuna Samtani from Star TV is joining as programming head) will be joining and the present board consisting of actor Jeetendra, hotelier Arun Kakkar and the two brothers will be expanded. Adhikari says that there can be no soft launch for his up and coming channel, "I will be painting the town red. Programming today is a consumable commodity and it has to be marketed in an aggressive manner."

Immediately after the launch of the channel, the next step in diversification will see Brothers Adhikari venturing into three screen multiplexes in Mumbai, Pune and Ahmedabad. Mumbai's suburbs will see the first multiplex being launched by mid-2000. And then, a network – news and Marathi – to follow.

The Adhikari brothers were quick to seize advantage on the stockmarket in 1994, when their share offered at par was oversubscribed 42 times. They have made the right moves till now – not deviating from their core competence and entering the capital markets at an opportune time – but dreams of turning into an entertainment conglomerate will take some doing to fructify.

• SANDEEP BAMZAI

In choppy waters

Labour unrest and an impending lockout put a question mark over the future of India's largest shipbuilding yard

Garden Reach Ship Builders & Engineers Ltd (GRSE), the country's oldest and largest shipbuilding yard, seems set to become another statistic in the ever-growing list of sick government enterprises. The management has decided to declare a lockout at the yard from 4 October following a 'cease work' by workers since early September. The workers are demanding pay parity with other PSUs.

At GRSE, trouble has been brewing for nearly a year and, according to workers, a solution through mutual consensus is imperative if the company is to function effectively. GRSE, which is under the defence ministry, has five units, employs 6,500 workers and is nearly a hundred years old. The yard primarily caters to the Indian Navy's requirements. All kinds of vessels are built here, including frigates and bigger war ships. Like many other public sector enterprises, GRSE too has been affected by the forces of change. Despite its once pre-eminent status, GRSE now finds itself competing for orders from other shipbuilding companies: Goa Shipyard and Mazgaon Docks in the west coast as well as shipyards in Kochi and Visakhapatnam.

In spite of the common problems that ail PSUs — huge unwieldy operations and a large workforce, GRSE actually managed to hold its own and improve profits during the last 10 years, despite constraints on the defence budget. Last year, it reported a profit of Rs45 crore against the Rs32 crore posted in the year before. This year, however, profits could be uncertain with workers on 'cease work' and prospects of an indefinite lockout. However, the management was unavailable for comment and the CMD's office preferred not to talk till the situation normalises.

The agitating workers would be glad to see a settlement. The issue at stake is the implementation of a wage settlement for the year 1996 paving the way for yet another settlement in 1997, which would bring their wages on par with that of workers in other PSUs. Says M. D. Hussain, vice-president of the GRSE workmens' Union "At present, our wages are far below what other PSUs offer. Also, we get no medical benefits." Adds Kamal Tewary, president of the union, "In March this year, the Department of Public Enterprises under the ministry of industry had allowed for a pay revision for 1996, in order that parity in relation to other PSUs can be done from 1997 when other PSUs are slated to receive revised pay. The management has been given full autonomy to negotiate a settlement with the workers." The last wage settlement at the company took place in 1994. Workers point out that GRSE employees earn Rs600





SAJAL BOSE

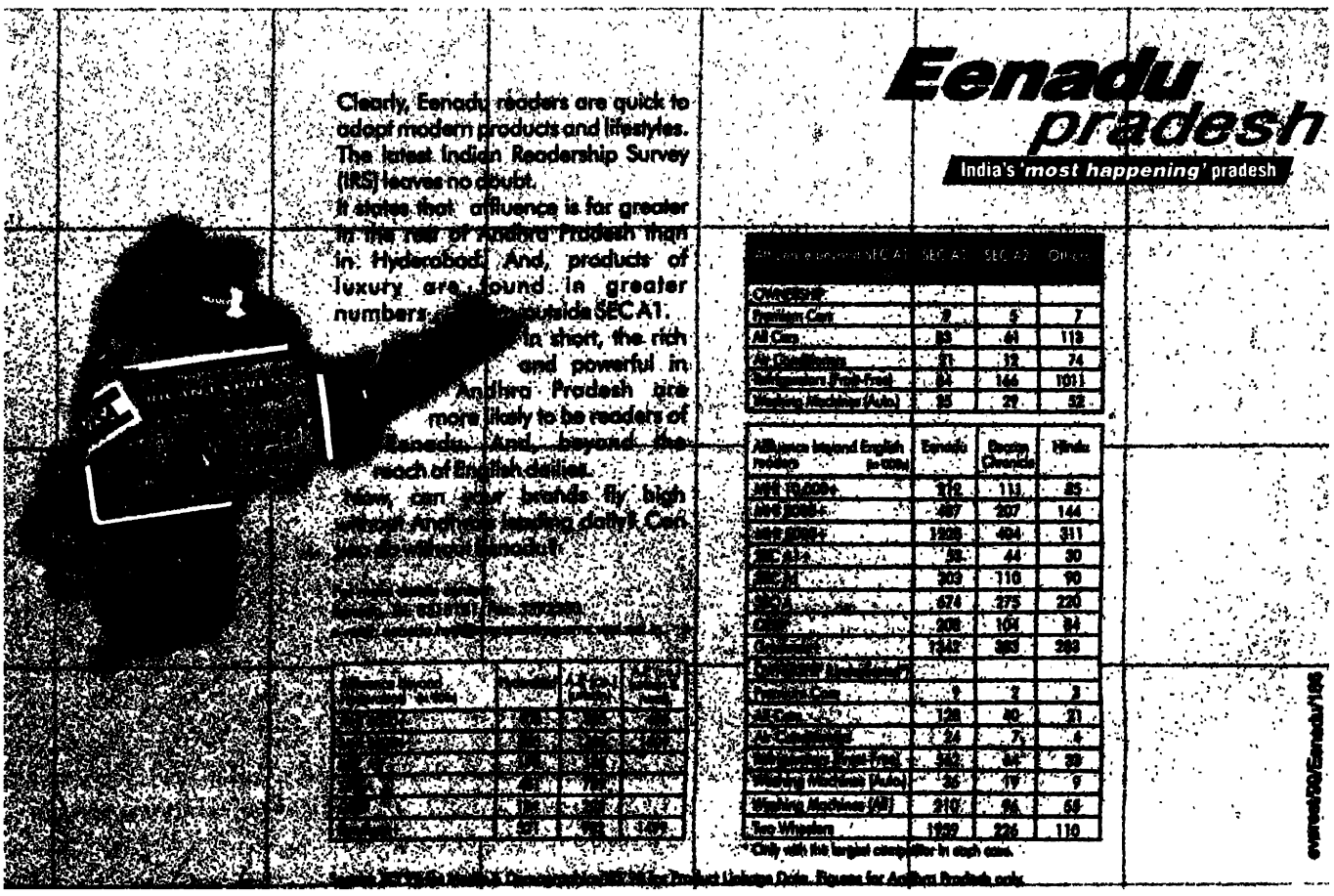
GRSE workers are demanding parity of pay with PSUs

-1,000 less on basic wage than their counterparts at other shipyards in the country. A wage settlement for 1996 will cost the company around Rs6.6 crore.

Wages apart, workers also resent the fact that the management has been bringing in cheap casual labour, at last count numbering around 1,500, to do the work while a portion of the regular workers have little to do. The management has often complained in the past that the workers fail to meet delivery schedules. Workers on the other hand say that most of the raw material inputs are given to casual workers while regular workers have to wait for more inputs to come in. The management's decision to use outside labour has hampered deadlines as a fair bit of work has to be redone after being rejected during inspection, allege workers.

While the management has to decide how to resolve the present issue, it is important for the future of the company that they do it fast. Apart from the obvious defence needs, West Bengal cannot afford to lose yet another profitable company. Sources within GRSE admit the company is underperforming and could do profits of Rs100 crore a year. Which is why the state labour department is doing its best to see that the crisis is defused as early as possible. Although the lockout may be lifted, GRSE's industrial relations will continue to be under siege for some time to come.

♦ MADHUMITA BOSE



Daktar Babu's Amazon army

A septuagenerian doctor has changed the Dooars, perhaps for ever

The martial-looking man with a clipped moustache and greying hair bounds out of his van to say hello. "Doctor Diptendra Nath Chatterjee. I'm better known as Daktar Babu in these parts," he says brusquely.

Dr Chatterjee is the unsung hero of a social programme that has destroyed shibboleths about rural upliftment, women's issues, and the wretchedness of the tribal lot. Rarely heard of outside the seven-lakh tea worker population in the Dooars area of West Bengal, he is intensely searching for a successor to carry on his work. "I am 76 and want to step aside. But in 15 years we have now built a massive machine for change. If only somebody carries the work on," he says.

Chatterjee came to Dooars in 1983 at the age of 60 after retiring as chief medical officer of the Sindri fertiliser plant. His job here was project director of a family welfare project funded by the International Labour Organisation and sponsored by the Indian Tea Association (ITA). "I had three advantages to begin with — I had worked in the Ranchi area and could speak the Chhotanagpur tribal dialect called Sardi; I had worked in the public sector and was not overawed by the 'dastoors' and traditions of the tea industry; and I had survived the worst Bihari excesses of the sterilisation campaigns of the Emergency and had learnt some hard lessons. It had completely destroyed three decades of family planning in India," he says.

ITA secretary-general Ronnie Das says he also saw the destruction of the family planning after an enthusiastic start in the 1950s. Das, who was secretary of the Dooars branch of the ITA at the time, hit it off well with Chatterjee. "He (Chatterjee) was an outsider and hence managed to get over the resistance of tea company managements. He probably faced quite a few problems trying to convince the estate managers," he says. The ITA and its branches in Dooars and Assam represent tea company interests in the area. "Tea companies were very driven by traditions set by the British over a century. There was much resistance to change," he admits.



PHOTOS: AMAL BOSE

Dr Chatterjee talks to a tea picker at Dooars

Even today Chatterjee's work among the poor is largely unheard of despite Das's accolades for the programme. Tata Tea officials feign disinterest in the programme, saying that they had their own social welfare programmes in place. "Tata companies have for years run their own programmes," an executive told us.

Bhaskar Banerjee, managing director of Duncans Industries and president of the Bengal Chamber of Commerce and Industry, the umbrella chamber for the ITA, said: "I have heard about the programme but don't know any details. Maybe you should talk to Gurbaxani." Duncans' vice-president (tea) Mahesh Gurbaxani expressed similar ignorance about the programme. Duncans is one of the two largest tea companies in the Dooars after Goodricke.

Even after the success of the programme was documented and discussed, the Darjeeling area tea gardens refused to adopt it. Efforts to interest the Darjeeling Planters Association have failed. "For tea gardens or other industries the most crucial condition is commitment of the management. Otherwise mothers will soon lose enthusiasm and start feeling that they are merely being used as a cheap delivery system," says well-known NGO consultant and social worker Maitreya Ghatak.

Chatterjee says the south Indian tea estates were always much more progressive and had been dabbling in similar programmes under the aegis of the United Planters' Association of South India (UPASI) for decades with notable success.

One of the problems was that Darjeeling tea garden managers found Chatterjee a modern socialistic interloper in their arcadia they felt they had built. Here was a daktar babu who would boldly walk into their office and sit down whereas even today no one can enter the manager's presence unless specifically asked to. Tea garden managers did not like the concept of an outsider messing around on their land. They did not, however, run him off the land on a split rail, tarred and feathered, because he had been sent by Das who was well-liked in their club.

They gave Chatterjee a cup of tea and listened to him with stoic silence. They would hem and haw for a while and then say, "Is that all? thank you for the taking the trouble. We'll get in touch. Thanks again." Even today there are tea estates where Chatterjee is not welcome.



Chatterjee's deworming programme translated into better efficiency on the tea gardens

Chatterjee made no progress till he hit them with a googly that they all loved. Spurred by what he heard at a conference, he made a careful scientific calculation of what the companies would save if they listened to him. He made presentations of his findings at manager's bungalows, at their clubs, and at ITA meetings.

At a time when daily wages were Rs11.25 a day (now Rs35) he showed that the tea company saved Rs6,659.37 per averted pregnancy, which averaged to an annual expenditure of Rs4.09 lakh in each of the 125 tea gardens in the area. His calculation won over managers who were responsible for costs on their estates.

The ITA effort was based on encouraging women tea pickers to adopt family planning. The programme used video vans and other promotional literature to educate the workers. However, these initial efforts met with limited success. A video show was quite a novelty before dinner even if it meant that they had to listen to a subject as dull as population and babies.

A dismal landscape

About 12 per cent of the women were literate, and about 31 per cent of the men. Some 76 per cent of the one-lakh-plus families live in single-room *pucca* shacks of about 480 square feet built by the tea companies which compares favourably with equivalent national averages. But less than 22 per cent of these houses had toilets compared to the national average of 8 per cent for rural India. The pupil–teacher ratio in the tea garden schools was 169:1 and the pupils continued to reject tea company schools because the teachers didn't speak their language Sadri but taught in Hindi or Bengali; going to school was a completely bewildering experience. As many as 200 people shared a single water tap in some tea gardens, and almost a quarter of the population received untreated and unsafe water.

"The workers were very suspicious of do-gooders, partly because they were an insular tribal population and also no one had ever paid them too much attention," says Chatterjee. The tea worker population is different

from the rest of the local population — 72 per cent are Santhal, Oraon, Munda and Kheria tribals from Bihar, of which about a quarter are Christian. Of the remaining 28 per cent, 19.6 per cent are Nepali with a token presence of the local Bengali population. "The Nepali section like the good life and prefer smaller families. They took to family planning well. The Christian tribal took to the hygienic aspects well, but Catholicism often stood in the way of family planning," says Chatterjee.

"The workers were outside the local political process and, while there were over 260 registered trade unions among the 125 gardens, the unions were often unrelated to state politics," says Moni Kumar Darhal, secretary of the National Union of Plantation Workers affiliated to INTUC. He admits that even the unions were very suspicious about Chatterjee's efforts but with time came to accept him as one of their own. Chatterjee says the veteran union leader of the area, Manik Sanyal, was soon won over and helped out with the programme.



'Mothers' at a tea garden's labour line

Once he had been permitted by the tea garden managers to operate in their areas, Chatterjee came up with a new strategy to increase local involvement. He contacted a Japanese foundation, which agreed to add to his kitty if he also added a children's deworming programme to his efforts.

"The ITA programme was based on a few lakh rupees spent in the first few years, but once Unicef and the Japanese NGO JOICPF under Chojiro Kuni came in, they pumped Rs3 crore into the project over a period of five years," says Chatterjee. He met Kuni, who was doing a deworming programme in nearby Bhutan. Much of the funding went into subsidising sanitary toilet construction in the tea gardens. Toilet usage consequently increased from 84 per cent to almost 100 per cent. "They preferred to use the toilets to keep poultry and pigs or firewood," says Chatterjee.

The efforts to educate the workers to use toilets also led to a greater demand for toilets, which tea company managements did not like. Even though the pour-and-flush two-pit latrine was significantly cheaper and better, costing just Rs2,700, it has proved to be impossible to convince tea garden managements to abandon the older and costlier Rs4,500 PWD septic tank latrines for the newer technology. This ignorance also added to the delay in management adoption of the toilet programme. Even today, most newly constructed latrines continue to be of the older kind, says the current secretary of the Dooars branch of the ITA. According to a manager, managements use the PWD manuals as a benchmark. Unicef's consultant, Environmental Engineers Consortium, criticised this inflexibility in its assessment of the programme.

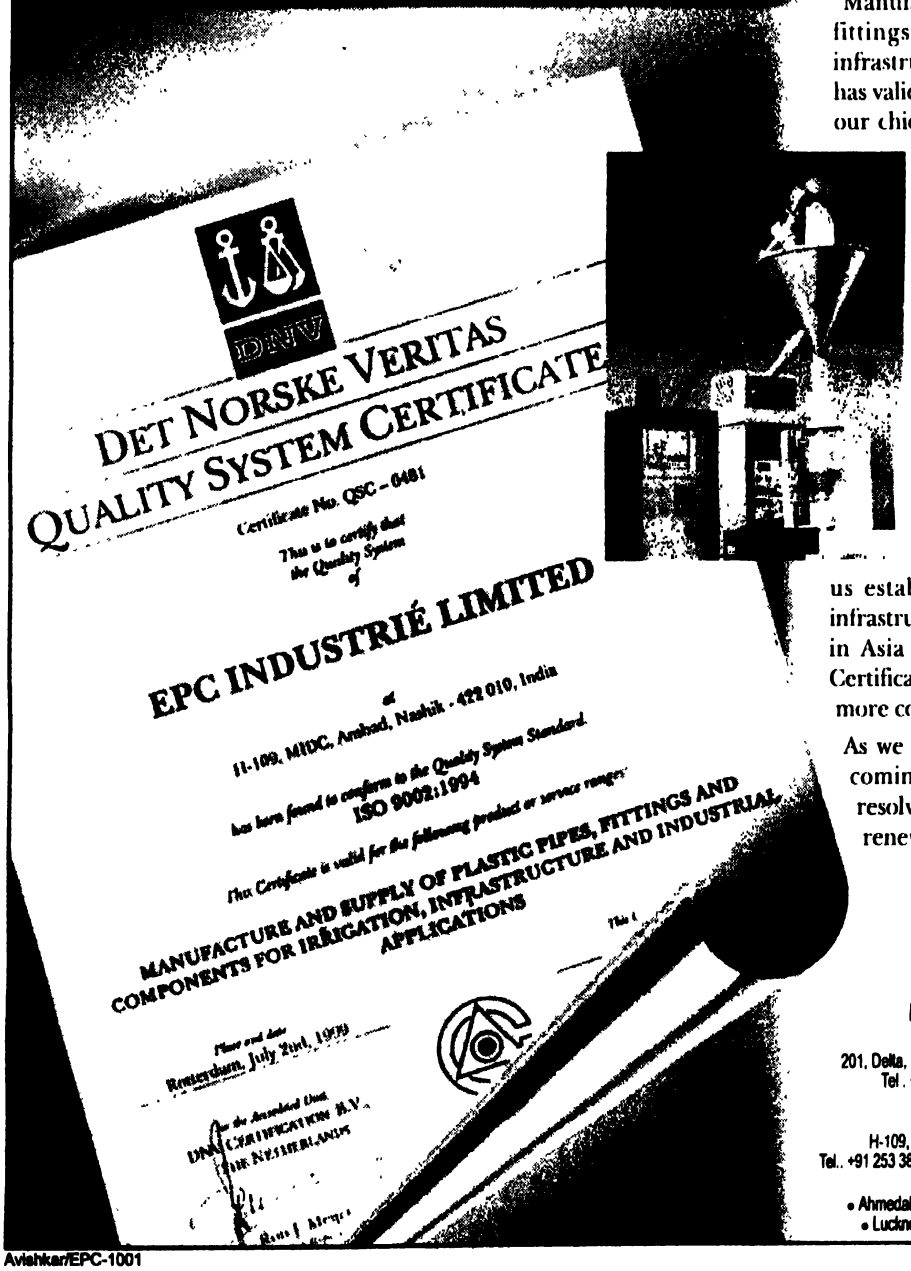
However, despite this setback, Chatterjee pushed ahead by selling the managers a clear line of logic. If children had fewer worms, they were healthier since their nutrition levels increased. Better nutrition meant that they fell ill less often, which in turn led to less absenteeism among the women and also fewer patients at the tea garden hospital. The deworming programme gave pulse doses of 1.5 lakh children at the height of the programme in 1994. It has distributed over eight lakh deworming doses in the last six years.

Toilets also led to increased demands for clean water and this created their own pressures. "Workers would puncture the pipelines passing in front of their houses so that they have a continuous flow of water. This led to contamination," says Chatterjee. Efforts to stop the puncturing led to a demand for more taps. One manager says he spent years corresponding with his head office accountants in Calcutta justifying cost-benefit assessments. It was tough — things would move forward by two steps and then be pushed back one step, says Chatterjee.

"There was a marked increased in community participation once the children grew healthy," says Chatterjee, and the popularity of the programme began to generate its own solutions.

One was simple. Literate worker-volunteers would be trained to be barefoot social workers who lived in the worker's lines. Each 'mother', as they were called, would be given a distinctive green-bordered saree, a pair of canvas shoes, and an umbrella. Each garden's 'mothers' would form a mothers' club to coordinate activities. The 'mothers' would be serviced by the eight field workers employed by

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the programme to supervise activities in the seven subdivisions of the Dooars tea region. The first 'mother' was trained in 1991, and today there are 2,500 of them in 110 tea gardens, each of whom looks after an average of 43 worker households in a worker line with 265 members. "I heard about it for the first time at an international conference and I tried it out when I got back", says Chatterjee. "The mothers' club is a potent weapon for social change and it can develop this area like never before," he adds. It is equipped with flip card books dealing with subjects like personal hygiene, health, and sanitation.

What Chatterjee achie

	19		1991		1998	
	Project	National	Project	National	Project	National
Birth rate	35.17	35.6	26.28	30.9	20.43	29.3
Death rate	9.17		8.47		5.07	9.7
Infant mortality			54.49		19.86	78.0
						4.0
			5.84			
(%)			90.00		40.0	
nisation						
			62.00		25.0	

Note: ... project figures are based on an independent assessment by M. Ghatak and L. Chatterjee, two consultants ... Social statistics are drawn ... Statistical Outline of India 1998-99, Tata Services Ltd.

Then there was a massive change. Indebtedness and alcoholism is the bane of the male tea garden worker. Mothers' clubs, with the active help of the managements, began to crack down on the bootleggers and *sahu* moneylenders in the gardens. The menfolk did not like it but soon the cry went up. "*Sada sari, hara par, hunshiar, hunshiar.*" Das says the anti-alcoholism drive has been a major social catalyst in the gardens. Now the sale of alcohol is banned on payday, the vendors scared of attacks from the women led by the 'mothers'. In Purti tea garden, bootleggers caught on the premises are fined Rs500. Mothers' clubs also patrol the weekly markets at the tea gardens to see that traders do not underweigh or pass off rotten goods.

Things did threaten to get out of hand when the movement against alcohol took root. "We had to call in the police a few times and we had some enthusiastic managers joining in the attacks against the bootleggers. We had to ask them to desist from using violence because it was giving the mothers' club a bad name," he says.



There were attacks on mothers, some were threatened with knives and there was an effort by the trade unions to label the club as a handmaiden of the Jharkhand Mukti Morcha (JMM). Yet others faced the wrath of the bhagats, ojhas, and witch doctors of the tribal society.

Women workers, who form about half the workforce, continue to be completely under-represented at 20 per cent of elected office in the trade unions. There is a massive undercurrent of resentment that the mothers' club movement may supplant the traditional *gaon bura* leadership and the mainline trade union movement in the tea gardens.

But change is coming. For example, it has become increasingly common to have weddings without alcohol, considered absolute blasphemy till recently among both the Nepali and tribal populations. Similarly, 'mothers' began to preach the savings habit. A 'mother' from Nangdala tea estate says that when bonuses were paid last year, a record 42,000 Kisan Vikas Patras were sold by the local post office, which agreed to stay open to accept the savings. The mothers' clubs also force all newly married couples to attend lectures on family planning, mother–child health, sanitation, and personal hygiene.

His workers also tried to set up similar clubs in the non-tea areas such as Satnali and Mondabari panchayats in the Kalchini block, with some success. However, Chatterjee says that since there is no funding except for a few lakhs from the ITA for the project and longer, this has not been a focus. Also with just eight employees, he says that he does not have the infrastructure to increase the area under the programme.

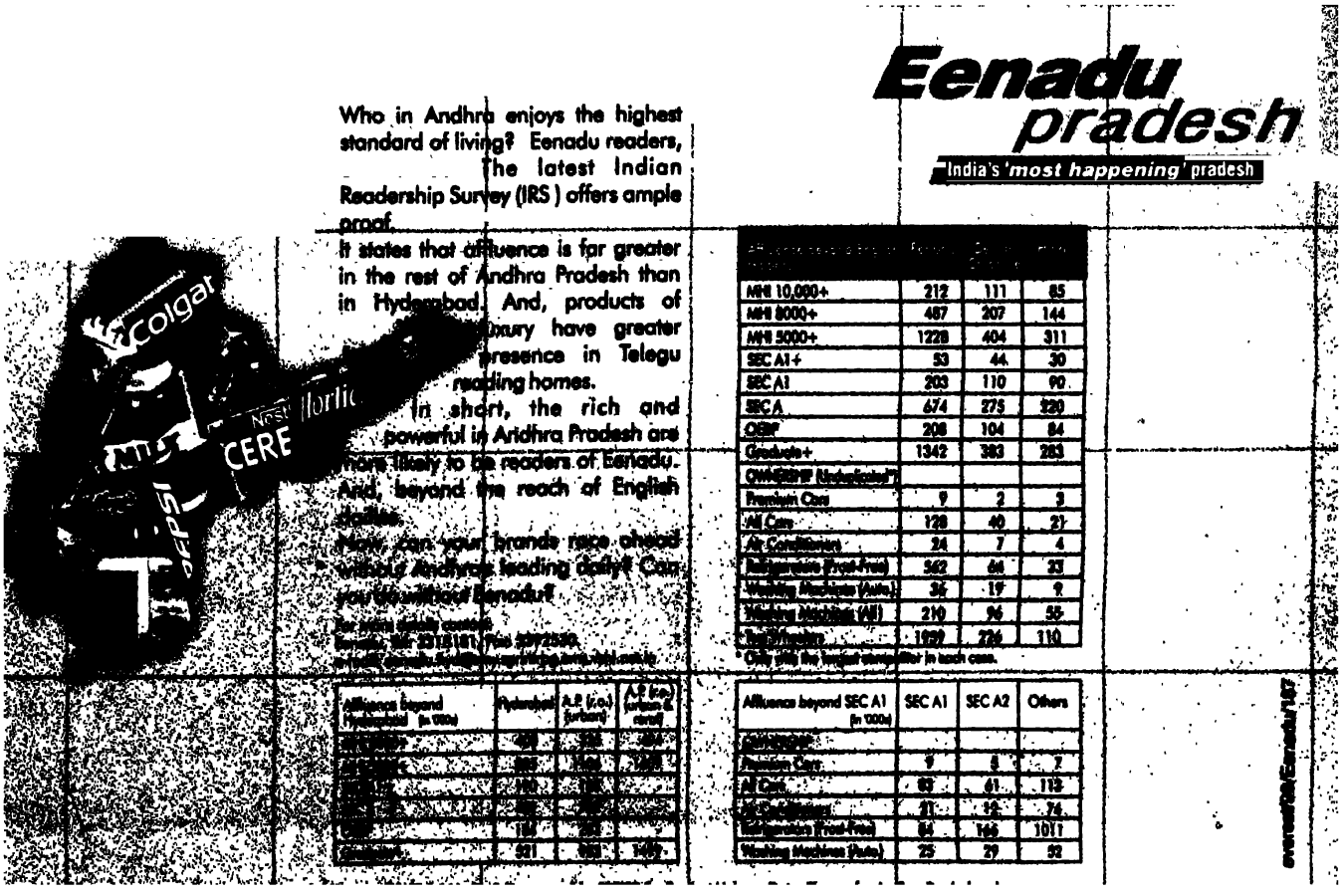
A good foundation

Mercifully there was little direct political interference or attempts to hijack the movement. The target population of almost one million was homogeneous and distinct from the local population. The tea industry traditions also meant that organisations and processes were very similar in the area and the Plantation Workers Act had created the physical infrastructure through which the programmes were delivered. For example, in terms of medical facilities, there was a hospital bed for every 300 workers compared to the national average of 1,000 persons for each bed.

Now Chatterjee is looking for a visionary to take his struggle forward as he is getting on in years. He says he has now embarked on a programme to eradicate tuberculosis from the gardens. The state government has agreed to fund a TB programme through the mothers' club network. "But this year it failed to deliver. When we wanted to have a few sterilisation camps it said it did not have the funds," he says.

So how does Chatterjee view the future course of the work he initiated so successfully? "This movement now needs a younger leader who can take it into new areas. After all, I am a doctor and I understood women's health issues very well. Now people ask me why I only favoured the women with my work," he says with a laugh

SUDIPTO DUTTA



Birth of a tractor

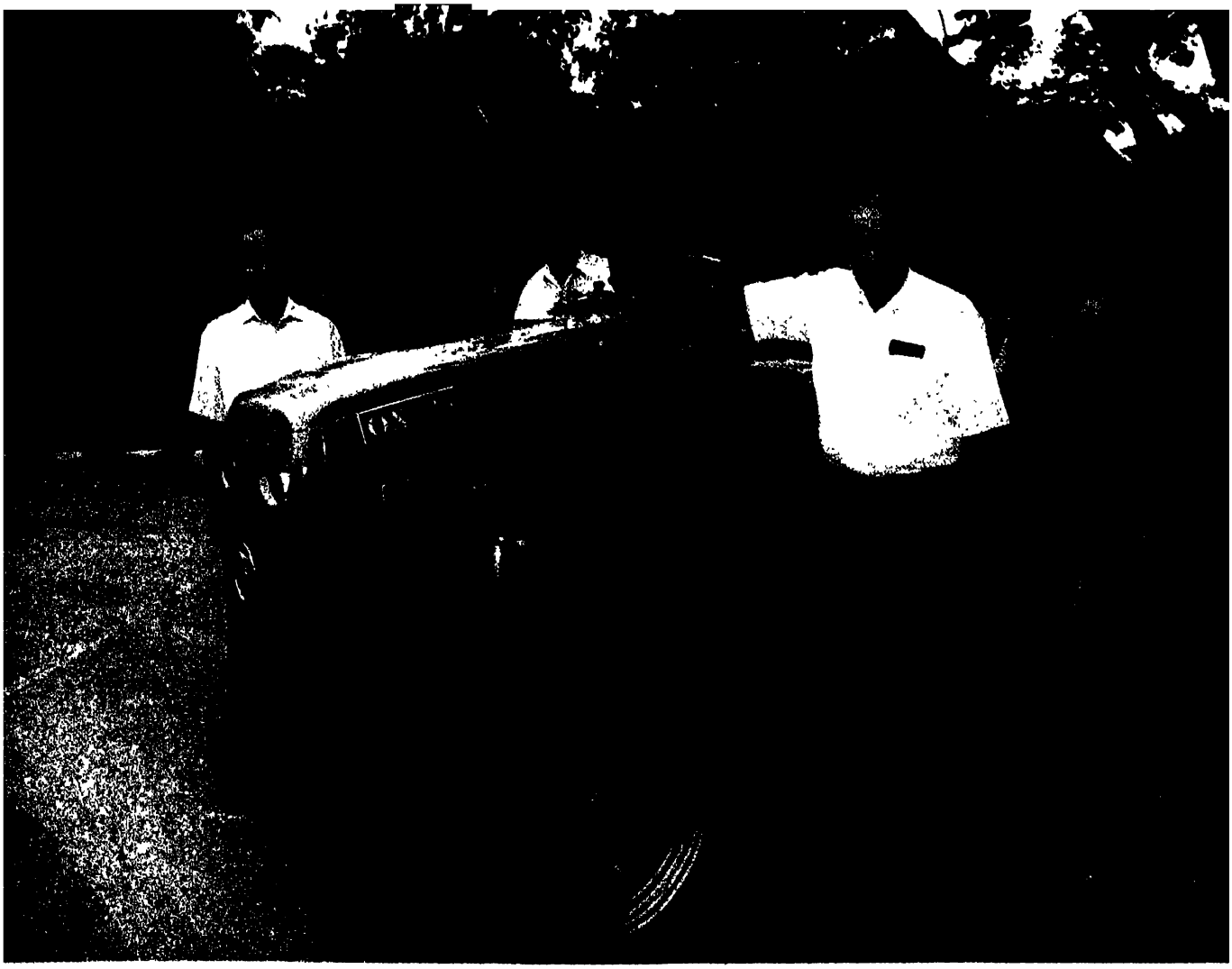
Bajaj Tempo has pulled off a remarkable feat. It has launched the first indigenously designed and developed tractors

There are few Indian automobile companies in India which have totally indigenously designed and developed new models from scratch and that too within three years. There are fewer tractor companies in the country which have achieved this feat. Pune-based Bajaj Tempo, which has mainly been an LCV manufacturer for over three decades, decided to indigenously design and develop a range of latest generation tractors – that too without any foreign collaboration. It succeeded in designing such a tractor with many advanced features from the concept stage to the production stage in a record time of 30 months, which is extremely good even by international standards. Globally the shortest development cycle for a new model is three years. Two tractor models, OX-35, a 35 HP tractor and OX-45, a 45 HP tractor, are now in regular production at Bajaj Tempo. That's not all. The company, in the last 4-5 years, also developed three new LCV models and one new three-wheeler model, all of which are already productionised. It is currently developing a 25 HP tractor, a 65 HP tractor and another new three-wheeler model and these will be launched shortly.

Few in the auto industry know that Bajaj Tempo has one of the best R&D facilities and new product development capabilities in the country, matching those of a giant like Telco. With sales of Rs600 crore last year, Bajaj Tempo has been regularly investing between 5 per cent and 6 per cent of its turnover in R&D, which is the highest ratio for an Indian automobile company. Over the last 10 years, Bajaj Tempo has even built up a Rs100-crore toolroom (one of the best in India), with huge high-speed CNC die sinking machines from Pratt & Whitney, Yoneda, Deckel, etc. This modern toolroom has a capability to completely tool-up one new model of vehicle every year, which involves making over 1,000 toolings like dies, jigs and fixtures.

This state-of-the-art toolroom is backed up by the latest CAD/CAM

INDERJIT SINGH GUJRAL





All CNC machines in the toolroom are controlled by CAD workstations

facilities. Bajaj Tempo has over a hundred CAD workstations for product design, analysis, simulation, etc. Besides, it has comprehensive test facilities with a large number of test rigs for testing every single critical component. "We have 850 people including 400 engineers working in R&D out of a total of 6,000 employees in our company," says Abhay Firodia, CMD of Bajaj Tempo.

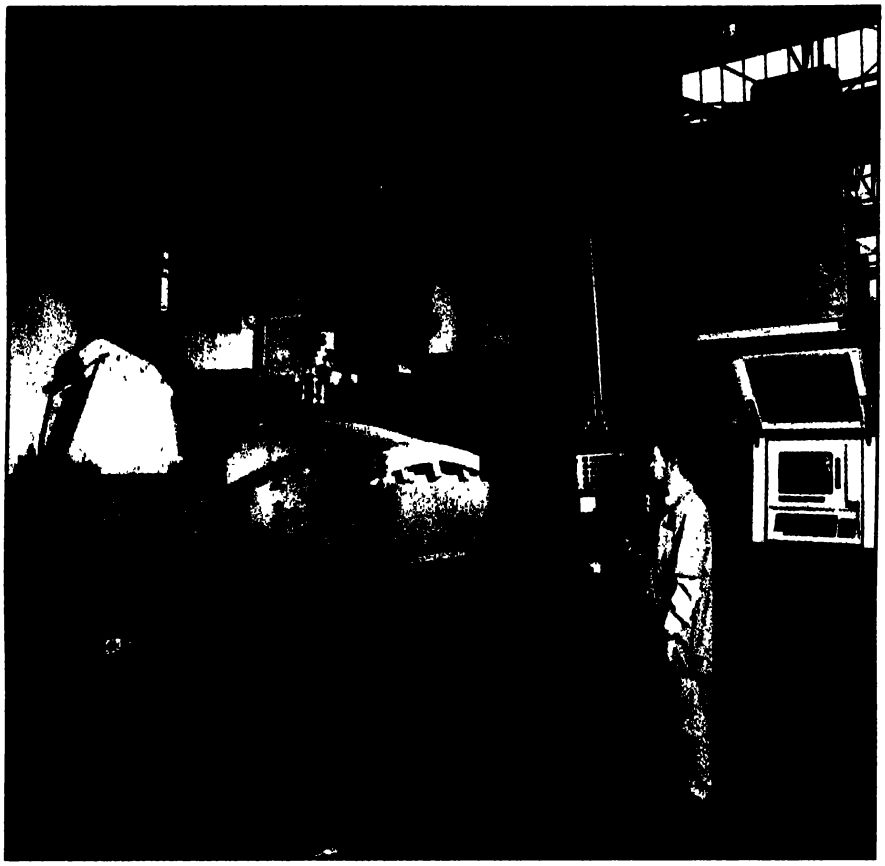
The initial product design is done using a number of CAD packages. For example, the engine of the tractor was designed by completely re-engineering the Mercedes OM 616 engine which has been the powerhouse of Bajaj Tempo's LCVs for many years. Several good features of this rugged Mercedes engine were retained, like carbide tipped rocker arms which ensure that valve settings don't get disturbed even if the engine is subjected to heavy vibrations in uneven field conditions.

Although the first prototype of the tractor was ready in six months, it took Maikhuri, Venkatramanan and Firodia one year to test each and every component, including the engine, transaxle and hydraulics

"However we made several radical changes in the engine design. For instance we converted it from an indirect injection engine to a direct injection one. This gives more power, better combustion and better fuel efficiency. We then increased the stroke of the engine because in a tractor we need a much higher torque compared to an automobile. The crankshaft had to be redesigned for a higher stroke. The bore and the compression ratio were also altered," explains C.S. Maikhuri, GM(R&D) of Bajaj Tempo. In case of the 35 HP tractor, the original Mercedes engine, which had 4 cylinders was truncated to make a 3-cylinder engine, while in case of the 45 HP tractor, all the 4 cylinders were retained.

Simultaneously the styling of the bonnet and fenders as well as the seat layout was done keeping in mind ergonomics and driver comfort. "We then generated the surface geometry of the sheet metal parts, and used a design package called CATIA to do curvature analysis and smoothen the skin panels. Once designs were frozen we used the design data to design the dies for these parts using CAD packages again," says G. Venkatramanan, divisional manager (R&D) Bajaj Tempo. Not only are the dies designed on the computer but the entire manufacturing process of the die is simulated on the computer to check for any fouling of the cutting tool. The computer also decides the optimum cutting speed for maximum rate of material removal and desired finish. Once all this is checked out the entire data is downloaded to a CNC die sinking machine in the toolroom. All the CNC machines in the toolroom are integrated, networked and controlled by the CAD workstations in the R&D. "All the machine operator has to do is to clamp the raw material onto the machine bed and the cutting process is done automatically as the machine is controlled by computers which have all the design data stored in them," says Maikhuri. Earlier when the manufacturing process was dependent on the skill of the operator it used to take between three months and six months to design and manufacture a die depending on the complexity. Now due to CAD and Computer Integrated Manufacturing (CIM) it takes less than a month to do the same job.

The Bajaj Tempo engineers also designed a synchromesh gear box for the tractor, with eight forward speeds and four reverse speeds, because many of the ploughing and tilling operations are done at very slow speeds, between 1.5 to 3.5 kmph and some operations are done only in reverse gear at varying speeds. "Our tractor is the only Indian made tractor which has a synchromesh gear-box, which enables as smooth a change of gears as in a car," claims Abhay Firodia. It is also the only gear box which offers as a standard feature a power take-off or a separately driven shaft for driving



agricultural implements. Again the power take-off is the only one to offer two different speeds of 540 rpm and 1,000 rpm. The lower speed is used for driving implements like a rotavator or a harvestor, while the higher speed can be used to drive a compressor or a similar equipment. The gearbox has yet another driveshaft, which drives the hydraulic pump for operating the hydraulic powerlift system. The tractor also has a superior hydraulic system which has a unique sensing mechanism, which senses the softness or hardness of the soil to be ploughed and applies the correct hydraulic pressure on the plough for obtaining the optimum depth of the furrow during the ploughing operations. The critical parts of the hydraulic system like the hydraulic valve block is manufactured in-house by Bajaj Tempo under licence from Bosch, Germany.

The Bajaj Tempo tractor is also the first Indian tractor to have disc brakes instead of drum brakes. Moreover, these disc brakes are immersed in oil (for cooling) and hermetically sealed. When the tractor gets into waterlogged fields for wetland cultivation, if the brakes happen to be of the drum variety then water enters them and they fail. "But since in our design the brakes are hermetically sealed, no water can leak into the brakes, and they function normally, even when the tractor is under a feet or more of water," says Firodia.

Also, these brakes are guaranteed to work trouble free and without maintenance for the life of the tractor (15 years). "We also designed the Transaxle, which is called thus because it combines transmission and the rear axle. We built a special test rig costing Rs1.5 crore, which can test the transaxle non-stop for 24 hours for three months, under a variety of load conditions, which are programmed into the computerised test rig," says Venkatramanan. The transaxle was tested under the heaviest duty cycle, non-stop for three months, which is equivalent to a life of 15 years in actual field conditions. "Although the first prototype of the tractor was ready in six months, it took us one year to test each and every component, including the engine, transaxle, hydraulics. We have a number of test rigs for each of these components. It was a continuous process of testing and redesigning wherever excessive wear and tear was observed. After correcting the designs, again testing was carried out until the design was perfected," explains Firodia.

After designs were frozen, it took several months more to manufacture the toolings like dies, jigs and fixtures and within 30 months of conception of the product, the first tool-made prototype was ready. This is a remarkable achievement for a company of Bajaj Tempo's size. The company is one of the smallest automobile companies in India, but one of the most vertically integrated, possessing not only a fantastic toolroom and R&D capabilities, but also facilities to manufacture all critical parts such as engines, gearboxes, axles and even hydraulic valves in-house.

Over the last 10 years, Bajaj Tempo has built up a Rs100-crore toolroom, which is one of the best in India, with huge high-speed CNC die sinking machines

The OX-35 and OX-45 tractor models are already in the market and this year Bajaj Tempo will produce and sell 7,000 tractors, which will be increased to 24,000 next year. In the current year, Bajaj Tempo will also complete the design of a 25 HP and a 65 HP model. Both these tractors will be launched in the market next year to give Bajaj Tempo a complete range of tractors.

This is how Bajaj Tempo, which for decades had been manufacturing just one model of LCV, called the Matador, has now become a multi-product company with a range of products like tractors, LCVs, three-wheelers and multi-utility vehicles.

◆ ROOP KARNANI

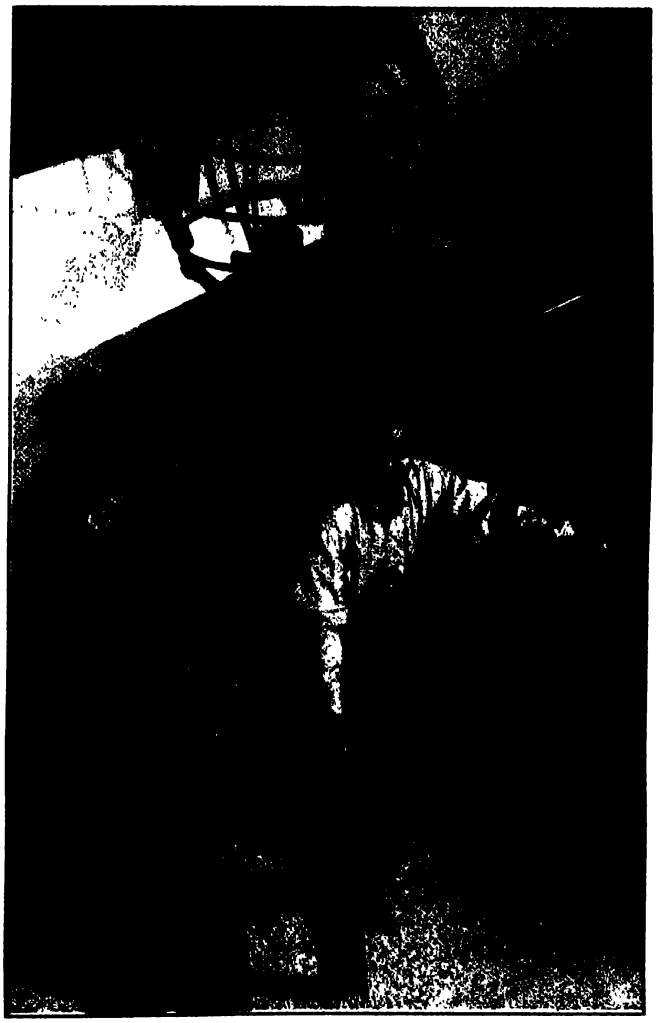
Failsafe quality

Kirloskar Copeland carried out a unique exercise to put new systems into place for total quality and zero rejection

"Gopal Amin threw the challenge at us," says Suresh Lulla, managing director of the Mumbai-based Qimpro Consultants. And because Qimpro are quality consultants to compressor manufacturer Kirloskar Copeland Ltd (KCL), and Amin the managing director of KCL, Lulla took on the job of trying out the quality tool of failure mode and effect analysis (FMEA) in implementing the new ERP (enterprise resource planning) system in KCL plants at Atit and Karad, 150 km from Pune.

A TQM technique usually applied for design and processes, nobody had used FMEA for ERP before. "We put the whole project through FMEA, and went live with no problems during the changeover," says Amin. "The most difficult thing was that we did it in July, a season month." Most companies, Lulla explains, run a parallel legacy system while implementing ERP, and gradually ease themselves from the old system to the new. Most ERP systems encourage this, and expect the plant to be shut for a number of days even before running the parallel system. Going by this, KCL was faced with an 11-day shutdown during the peak sale time in the air-conditioning and refrigeration (ACR) industry. Amin, however, did not want to do this. "He said, 'Hong Kong airport did it, switching over totally at midnight one night, so why can't we'," Lulla recalls. And he gave Qimpro the mandate to carry out an analysis and extend the assurance that the ERP system would go live at the touch of a button.

So KCL, ERP vendor Baan, implementing agency Ashok Leyland Information Technology (ALIT) and Qimpro in its role of facilitator carried out a risk analysis, taking into account the likelihood and severity of failure in each operation, and the probability that it could be caught before it happened. "We had a brain-storming session to list every point, even those that sounded stupid," says Randal Pereira, KCL's information technology manager. "We assigned a risk priority number (RPN) to each point, and attacked those with high RPNs."



We did it!" Amin is all smiles

All the employees were involved. "People know their own 100 square feet best," says Lulla. "So we worked from section to section for three months, asking everyone for a written commitment that his part of the ERP would work without a problem." Four teams were formed for each business process, each with a team leader, a key user, an ALIT consultant and the department head. The company used what Pereira calls a 'big bang' approach, implementing all the ERP modules simultaneously. "The FMEA exercise brought people on a common platform, and gave us confidence," he says.

Vice-president K. Taranath led from the front: "He really walked the talk!" says Lulla. Everything was planned in detail, including lining up trucks and organising excess dispatches to warehouses and distributors so that customers didn't feel the lack of physical transactions during the two-day closure while KCL switched systems. "It was seamless, there was no problem!" says Amin, a statement which Lulla qualifies: "No problem which we couldn't handle." Adds Pereira, "There were minor problems, but no disruption: everything was on from day one."

But going live is only the beginning of the process, Pereira points out. "Now, we have to derive the benefits. These will take a couple of years to crystallise." Amin, however, insists that the results are already visible. Production is up, and quality has improved to a level where rejections are "almost zero", he says. At the newer plant at Atit, set up in September 1996, the monthly production has gone up from 12,000 to 18,000 compressors. The plan is to keep raising this figure, without any fresh investment. "The next target is 20,000. There is no reason why we can't go up gradually to



Production is up and rejections are almost zero

50,000, even 100,000, by cutting process times," he says.

The Kaizen quality technique introduced in September 1997 has gone a long way to help this growth. Kai means change and zen means betterment, explains Pramod K. Katdare, factory manager at Atit. Implementing high quality standards needed what Amin calls "a major cultural change", especially among the older employees in the original plant at Karad. "We have had to move many people out of key positions and find replacements with the right mindset," he says. "We spent a lot of time matching the right set of talents with the right job. The basic question is, what is your passion, what you would drop everything else for?"

KCL also customised compensation packages for employees' specific needs — like financing higher education for the children of the older people at Karad, and consumer durables for the younger set at Atit. The Kaizen awards also vary: from steel tumblers and plates, clocks and gas stoves for individual achievers, to field trips for teams. A worker with 80 improvements to his credit gets to go on a training course to Copeland's mother plant in the US.

S.L. Kalbhor, an operator at the Atit plant, is the first with 80-plus Kaizens. In the US, he intends to study how they ensure zero rejection, and help implement it here when he returns. Kalbhor, a farmer's son who worked his way through an industrial diploma, admits his colleagues were initially jealous. "But I explained the advantages to the company, and they understood," he says. Among the improvements he is particularly proud of are the introduction of an ink bottle within the cycle to automatically put a dot on each compressor when its oil is changed; a safety device to stop the conveyor belt when a shear pin breaks; a modification to prevent couplers from flying off, so that there is no leakage; and a slide fixture so that the operator does not burn his hands lifting down dehydrated compressors.

The magic of Kaizens

These, and other Kaizens, brought set-up change times down from 30 minutes to eight, and reduced rejections drastically, Katdare says. One particular operation increased the per-shift output from 175 compressors to 225. Kaizen, introduced for permanent employees and later embracing contract workers too, has everyone contributing now. "We have achieved an average of three kaizens per employee per year — we want to increase it to six," he adds. Next, the practice is being extended to ancillary suppliers.

Amin is clear on the Indian operation being not just a low-cost manufacturing base for global markets, but designing compressors for the rest of the world, too. So KCL has installed India's first, fully computerised decarbonising furnace for motors, at an investment of Rs7 crore, and an engineering centre to design new hermetic and semi-hermetic compressors.

"We get a lot of support in this from Copeland," Amin says. "They are looking at us as a resource for engineering in India." The changeover from chloro-fluorocarbons to R-134a and hydrocarbons was done internally, and the compressor's performance was fully simulated before making a prototype — which was "very close to target, needing only some amount of tweaking". KCL does not want to export for the sake of exports, but is looking at some countries to which it plans to become a big exporter, with Copeland's help. "We have the quality, now we need to coordinate our capacities for the export and domestic markets," he explains. With a turnover of Rs230 crore in 1998-99, KCL — a subsidiary of Kirloskar Brothers Ltd — has grown by an average of around 23 per cent a year over the last five years. "Our growth has been consistent, with no spurts," says Amin. Manufacturing a range of air-conditioning and commercial refrigeration compressors from one-ninth of a horsepower to 40 HP and capable of supplying up to 60-HP compressors imported from the parent company, KCL sees no competition from Tecumseh, which boasts of being India's largest compressor manufacturer.

"They are a big player in the domestic refrigerator market where we are totally absent," Amin explains. "But they have a very small range in our field." KCL lists Amtrex, Blue Star, Carrier and Voltas among its biggest customers apart from a host of small air-conditioner assemblers. "Nobody knows us, apart from the equipment manufacturers; but all your rooms, soft drinks, ice-creams are kept cool with our compressors!" adds Amin.

› SEKHAR SESHAN

Onto a new benchmark

With GATT around the corner, this Rs110-crore company has devised a new prescription to be among the top 20 Indian pharma companies by the year 2005

They are all set to take over the baton from their father. Glenn and Mark, the two sons of Gracias Saldanha, who promoted the pharma company Glenmark, are busy formulating plans to steer it into the next millennium. As Gracias puts it, "Glenmark is all set to celebrate its 21st birthday. Hereafter, my sons are going to lead the company and devise the growth strategies." And he is pretty convinced that he is leaving the company in safe hands.

The elder, Glenn, joined the company last year and as executive director is looking after sales and marketing. He has done stints with some pharma MNCs abroad. The younger, Mark, is also a director (operations) in Glenmark. He joined Glenmark straight after college four years ago. He takes care of the manufacturing side.

In its two decades of existence Glenmark has been conservative. Launched in November 1978, Glenmark began as a loan licence manufacturer. It has since set up manufacturing and R&D centres at Nashik (Maharashtra), Goa and Bhavnagar (Gujarat).

Before setting up his own outfit, Gracias was employed with MNCs such as Franco India and E Merck. He was marketing manager when he quit his career. "Getting into business was a tough decision. The seed capital of Rs1.50 lakh came from my provident fund which was enough to take care of the deposit for the place and three months rent. It was only 30 months after I started out that I could get the first bank loan of Rs50,000," recalls Gracias. The first major hurdle came in the form of the drug price control order (DPCO) of 1978-79. "To stay afloat, we kept out of the DPCO by maintaining the small scale sector status. We entered the therapeutic segment. Our first speciality product, Candid cream, came from the antifungal dermatology range which was launched in 1979. Till date it is number one in its category," adds Gracias.



Glenn and Mark have taken the baton from their father Gracias Saldanha's hands

Gracias never realised that Candid could do what it did. "Candid gave us the launch pad," he recalls. However, hitting on the right product is just the trigger point. It was hands-on experience in marketing that helped Gracias. Experience taught him that it was important to have an ongoing dialogue with the medical fraternity and the need for a trained field force. "Based on this model, which is in practice even today, we have been able to enhance our basket of products and broaden the customer base," explains Mark.

Over the years, Glenmark expanded the Candid range with a slew of products in the form of lotion, powder, vaginal tablets, gel, and ear drops. In fact, one of its product – Candid mouth paint – is an innovation. According to an ORG sales audit conducted in February 1999, two of Glenmark products, the Candid vaginal formulations (in the gynaec anti-infective segment) and Candid cream, lotion and powder (in the anti-fungal dermatological topical segment) have emerged as market leaders with 32 and 14 per cent marketshares respectively.

Glenmark has also made a mark with its 'Ascoril' expectorant, which ranks third after Benadryl and Corex in the cough preparation segment. Again, as per the ORG survey, Ascoril ranks 103 in the list of leading brands by value in India. "Candid and Ascoril contribute 55 per cent to turnover," adds Glenn.

"As sales started picking up, the Nashik plant could not cope with the demand. Hence in the early 1990s we targeted Goa. We constructed three units there," states Mark. But as the growth in manufacturing was an ongoing process, the Saldanhas never lost sight of R&D. "If we had not looked at R&D, we would have been finished. Four per cent of turnover is regularly ploughed back into R&D. The results are evident from our basket of products," explains Glenn, who however remains tightlipped on several products at different stages of development.

One smart move by Glenmark is that, unlike most Indian pharma companies which have integrated backward, the former stuck to manufacturing prescription based formulations. "We neither went into bulk drugs nor have generic products rolled out of Glenmark," adds Mark.

How do all these moves translate into moolah for Glenmark? To get the correct picture, one would have to go back five years in time. From 1994-95, while turnover increased at a

compounded average growth rate (CAGR) of 23 per cent to Rs107.59 crore, the net profit logged a CAGR of almost 50 per cent to Rs12.77 crore. During the same period the gross block has bloated at an average rate of 32 per cent per annum to Rs20 crore. Another indicator which shows how much the company has been ploughing back into the business is the reserves and surplus account which on an average increased by 42 per cent per annum and currently stands at Rs30.57 crore.

But the Saldanhas are looking at more ambitious figures. Glenmark has set out on a four-pronged strategy keeping in mind the likely implications of GATT on the Indian pharmaceutical sector. "We have decided that we should move up from the 35th position and occupy one of the top 15 slots among the Indian pharmaceutical industry by the year 2005. To do this, we need to achieve a growth rate of 30-40 per cent per annum. This will be achieved through the introduction of several new products, aggressive growth from weaker regions and through the newly christened Gracewell division. The objective of this division, which has 50 managers and 220 medical representatives, is to concentrate on select therapeutic segments," explains Glenn.

The second part of Glenmark's strategy is to focus on growth in the export markets. "Currently, Glenmark exports to 24 different countries primarily in Asia, Africa and Russia. We plan to penetrate the US and European markets. In order to achieve this, Glenmark is working on building a state-of-the-art US FDA approved manufacturing facility," adds Glenn.

Glenmark has already established an overseas office in Portugal — Glenmark Pharmaceutica LDA. "This will provide access to the European Common Market. The Portuguese drug authority has given marketing authorisation for eight products and export of the same has commenced. The Canadian subsidiary will cater to Canada and the US," states Gracias.

Continuing with its R&D efforts, Glenmark plans to be a research driven pharmaceutical player. "In 1998-99, the company's R&D expenditure tilted towards its exclusive formulation R&D centre at Sinnar, Nashik. This R&D centre currently develops unique dosage forms, new drug delivery systems, etc. We have also recently initiated the construction of a New Drug Discovery Centre at Mumbai to be commissioned in August 2000. This centre will focus exclusively on new molecular research. During 1999-2000, we plan to step up the R&D expenditure and spend 12-15 per cent of our revenues on R&D," explains Gracias.

Lastly, in the post-GATT era, Glenmark plans to scout for various alliances and co-marketing agreements besides product licensing opportunities in the world market. It has already initiated discussions with two Japanese companies for product licensing opportunities, to market their products in India.

This, in a nutshell, is Glenmark's strategy for life after 2005. It remains to be seen how graciously Glenn and Mark take the company up the corporate charts.

• LANCELOT JOSEPH

Initiatives that build media brands

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A little initiative goes a long way

Raising reliance

A group of seasoned systems strategists positions itself as the right partner for small and medium businesses

V Ramakrishna and his team are all set to take on VeriFone in its established strengths of payment systems, smartcards and e-commerce applications. Ramakrishna, who headed the US-based transaction automation pioneer's Indian operation, is managing director of a two-year-old start-up in Bangalore. On the board of his Reliance Systems Private Ltd (RSPL) are three members of his former top management team. Co-promoter P.N. Karanth is also a former colleague, though not at VeriFone. They worked together in the Usha group, and registered a software company in 1984, one of the first 100 per cent export units. Now, with a workforce of over 200, they target a turnover of Rs60 crore by 2001-02.



Ramakrishna and Karanth see great potential abroad

Set up as a mainly training-based company imparting specialised mainframe training to combat the Y2K problem — which Ramakrishna describes as the 'global scourge of the century' — RSPL is now concentrating on supplying solutions to small and medium enterprises (SMEs). "The change of focus was inevitable because the training needs have shifted out of mainframe to Java and other areas," he says. "But we did a good job: we trained 400 professionals both in the public domain and for corporates."

Along the way, RSPL has developed 'Gemini', an enterprise resource planning (ERP) software for SMEs. Systems from the world-renowned big names had to be implemented by them — which was expensive and took upto three years. Many companies, looking for quick results, had second thoughts about going in for ERP.

Gemini, on the other hand, shows results in two to three months. "People are surprised!" says Ramakrishna. "But this is appropriate in terms of the company's capability, size and budget — we need packages suitable to our marketplace." SMEs have simple business processes, he explains. Many SMEs still have manual processes, while the larger organisations tend to have more complex operations. Once the package is found suitable for the Indian market, it can be taken to other developing countries where companies have similar needs. But Gemini, he hastens to add, is also scaleable to large organisations as it is built on open systems platforms.

Now that it has crossed the 'critical mass' of 150 engineers, it has the confidence to take on big jobs, and move into the global market. The company has received approval for a branch in the US; it is awaiting RBI approval to invest in a Swiss subsidiary, and has a country manager in Japan. Says marketing director Karanth, "The export market is more lucrative — domestic business doesn't yield so much revenue." RSPL targets at least 60 per cent of its revenues from exports operations.

Ramakrishna, however, admits that the company's sales projections depend largely on the growth of the domestic market. "Our products need to find acceptability in the marketplace; software services will continue automatically," he says. The market seems to be good, both at home and abroad — especially the developing and 'just developed' countries, where RSPL sees a great need in the areas in which it operates.

The company has tied up with the US-based WRQ Inc to market WRQ's connectivity products in India, and may get a complementary base to market its own products in the US. "The software business is becoming more and more a two-way street," says Ramakrishna. "But the immediate aim is to use our own domestic marketing operations more efficiently."

Boasting domain knowledge in the fields of insurance, integrated information systems, paging and telecom, payment systems and smartcards, e-commerce applications and MIS, RSPL aims to leverage this knowledge and experience its top people have gained from VeriFone. "We will focus heavily on Internet applications, e-commerce, electronic payment systems and smartcard technology," says technical director M.G. Balakrishna Rao, who was development director in VeriFone India (VFI). Adds quality director Vandana Malaiya, who looked after quality at VFI too: "Efforts are on to become ISO 9001 certified as well as SEI CMM Level 3 compliant this year." Ramakrishna says RSPL is already compliant with both standards, though it has not yet got formal certification.

Two other products on the anvil after 'Gemini' are a payment system and a card-related activity, both fields which VeriFone had made its own. But VFI is apparently not a rival. "We will be working with device manufacturers, mainly VeriFone — to supplement their applications work, create application software for smartcards, and align with them for sales," Ramakrishna adds.

• SEKHAR SESHAN

The Power and the Glory

Mainframes are not dead, nor are they sleeping. The giants of computing continue to deliver on the premise of reliability

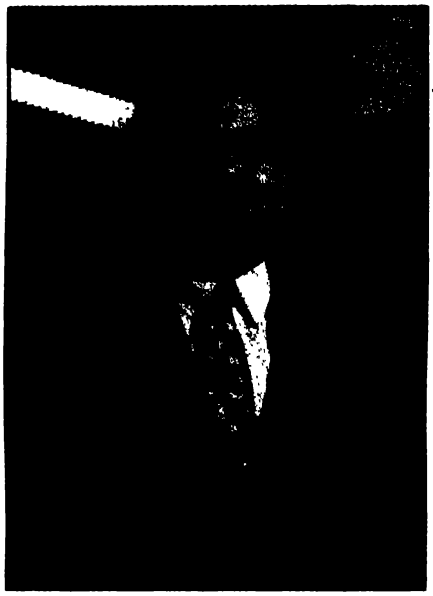
You have stored complex multifaceted data pertaining to half a million customers and you need to analyse it, virtually in real time. Perhaps you are an equity depository service and need to calculate the real cost of a competitive option, or maybe you run a telephone service and need to offer revised slices of time-of-day rates. When you have made a decision, you will want to implement it across the board with total reliability.

Forget about doing it with Unix or desktop systems, if you are in a competitive market and have to fight to retain your customers. What you need is a good old traditional mainframe, operating your back-end data systems with bullet-proof dependability and lightning speed.

Cost and access have typically been the key doubts for businesses, especially in India, for long considered Unix territory. The total cost of computing, a value that covers upfront cost of hardware and software, training, and maintenance, usually gets lowered as systems get bigger. However, Dr Guru Rao, the scientist responsible for much of IBM's current advances in mainframe technology, says that even the upfront cost "has been dropping 35–40 per cent per year for the past five years".

The other aspect of Unix and Windows-based applications, their widespread portability, is no longer so relevant, since IBM has spent a huge amount of effort over the past 10 years ensuring that mainframe applications are equally accessible on Unix and Windows-like emulations, when necessary. Also, the growth of middleware standards has made accessibility across systems much more commonplace. Middleware constitutes a set of software applications that translates data and processes between different, often alien, systems.

The main reason that the mainframe is returning to relevance for forward-looking Indian businesses today is that unlike the old days, when mainframe



PALASHRANJAN BHAUMICK

Chaudhari says Alltel's mainframe supports five million subscribers

suppliers operated in an entirely proprietary mode, market forces ensure that mainframe power is coupled with desktop convenience and accessibility.

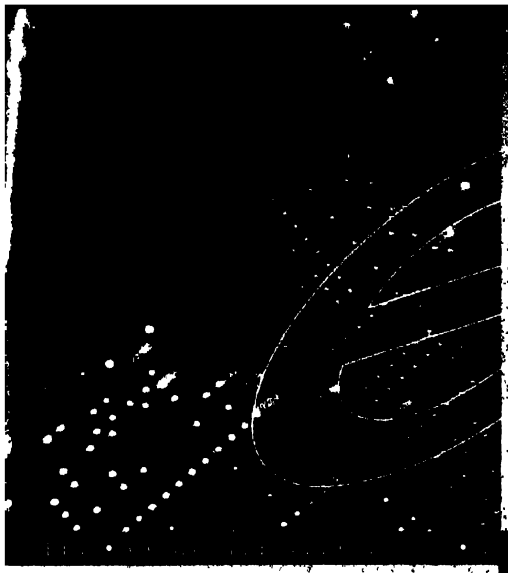
Thus at Alltel, supplier of back-office telecom solutions to Hughes Ispat Ltd, the independent Maharashtra circle telecom provider, a powerful S/390 (one of IBM's most popular mainframes ever, and the current state-of-the-art) provides the principal computing platform. Unix-based networks provide front-end access for Alltel's staff, enabling them to deal with customer queries using graphical user interfaces, but as Sanjay Chaudhary, who heads India operations at Alltel Information (India) Private Ltd, comments, "with a mainframe as the back-end processor in our Virtuoso II application architecture, Alltel is certified to handle five million subscribers. This would not be possible with a Unix platform."

At Tata Steel's massive campus in Jamshedpur, two S/390s handle brute computing power (80 million floating point operations per second) to provide 130 GB (130 billion bytes) of memory capacity instantly to run online, real-time business operations. These include finance and accounting, order management, production planning and control, and supply chain management and logistics, among other things. According to Varun Jha, the chief of information technology systems at Tata Steel, while Digital (now merged into Compaq) was a contender when Tisco bought its first mainframe in 1991, service, reliability, and familiarity (many other steel plants around the world run their systems on the S/390) were important considerations that tipped the scales. The experience was obviously happy ("Good," says Jha of his experience with IBM) enough, so that Tisco went in for a second, more powerful, system in 1997.

Indian Airlines, the government-owned air carrier, also runs two S/390s, but as real-time redundant fallbacks in case of unavoidable disasters. Each system hosts over 200 GB of disk memory to provide an internationally available online ticketing system (Speedwing's passenger services system, PSS) on a 24x365 basis (computer industry shorthand for 24 hours a day, 365 days a year availability). A.K. Rastogi, director of information technology at Indian Airlines, says, "Our experience has been satisfactory. We have a system configured to handle our requirements till the year 2001."

Technology advances in chip design and in overall architecture have combined to assure the mainframe a place in the spotlight, even as enterprise resource planning and the Web seem to dominate attention. In fact, half the enterprise planning implementations in a recent study were effective only on mainframes, and Web enterprises looking for unlimited growth know they can continue to serve their customers reliably only if they choose to host their services on mainframes. Clearly, as these business needs grow in India, mainframes will find a renewed call from the market. The technology institutes are already gearing for the expected growth in demand in mainframe-related skills, and this will become more visible in the next couple of years.

• VICKRAM CRISHNA



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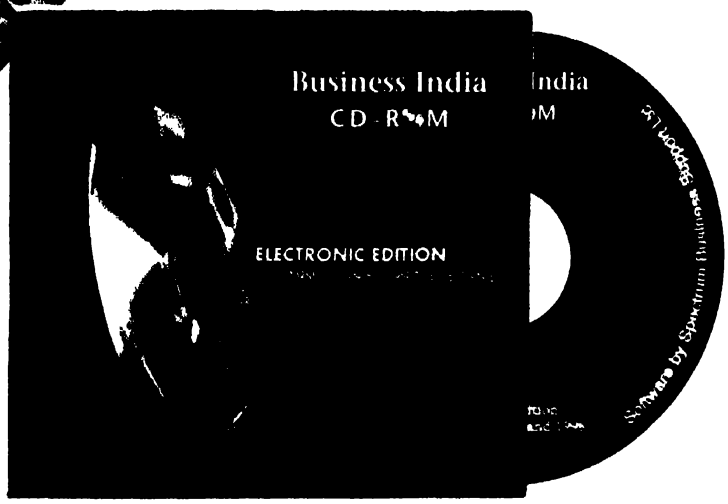
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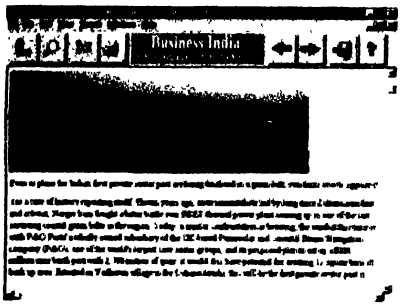
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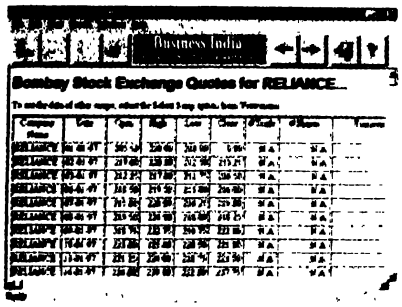
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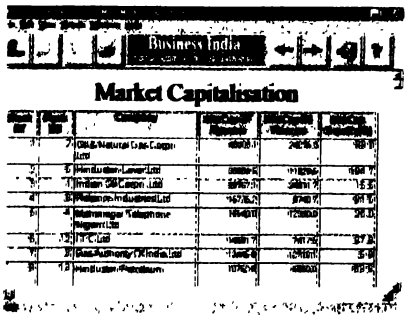
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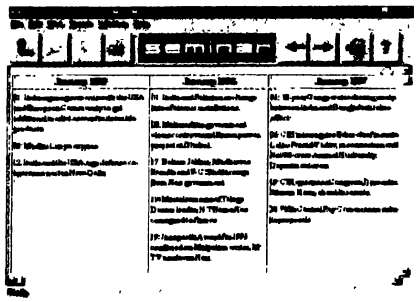
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AJIT DAYAL

The author is the founder of www.equitymaster.com

Old wine in new bottle

As yet another government comes to power, will the nation's real problems be addressed?

Another government and another leader. By 6 October, the counting will begin. A few days after that, the trends will become a reality and a new government will emerge. It will be a coalition – a BJP-led coalition or a Congress-led one. And the constituents of the coalition will jockey for power, fight for position, and hold the government to ransom. Routine matters will be inflated into major policy decisions and major policy matters will be converted into routine decisions as the give-and-take of political reality surfaces on the government in power. The coalition, whether led by an Indian or an Italian, will see a bumpy ride. By October 2000, the country's 500 million voters will be faced with another election as yet another coalition falls under the pressures of its own contradictions.

That is the pessimistic view. The optimistic view is that poets will actually be asked to implement the visions of the India that was sold to the freedom fighters before 1947. An India where poverty is eradicated and its people armed with education and opportunities. That the government will invest its time and money in rural India and encourage others to do so, too. And the money so invested will reach where it was supposed to and not get lost into the "dreary desert, sands of dead habit". Contrary to popular belief, the language of implementation of a benevolent policy or the nationality of the leaders who crafted it have little effect on the success of such a do-good-for-India project. A good policy is good, irrespective of who writes it or who implements it, how the policy is corrupted along the way and to what extent matters more.

Take taxation. Conceptually, it is good. The government collects money from the transaction of goods and services and then uses the money collected to invest in education, benefits for the poor, defence, and to pay the bills for running a government. It was created by the British. But then we, along with other nations of the world, got carried away by the concept of taxation and took it to its illogical depths and discouraged the creation of wealth. If no wealth was created, how could the government ever have any money to redistribute it? Furthermore, if the government went haywire in its own expenditure with a bloated bureaucracy, how would it ever have any money left to do the things it was supposed to do – help the economically disadvantaged? The destroyers of the Indian wealth creation machine were not the British, but we Indians.

Or take the population control programme. When Sanjay Gandhi and Indira Gandhi made it the focus of their *garibi hatao* programme, they took a good policy (control population) and ruined it by using frightening methods. What is scary is that not a single political party since the Emergency has had the courage to state that the growth in population is the country's number one enemy. Yes, the Gandhi family had Indian passports but even the politicians since then, who have perpetrated the crime on the country by not encouraging population control, have Indian passports. A bad policy costs the country dear and, many times, inaction dooms the country onto a costly path.

For most Indians, who are not connected to the Internet or to the phone lines and power lines in this country, the luxury of time is fast running out. Their problems need to be addressed quickly

But these are all things that have gone wrong in the past. As we sit in front of the TV and watch the new government taking shape, our hope is that policies on population control, land reforms, education, and taxation are at the forefront of decision-making. There are too many Indias within our India and some of us can wait to seek remedies of wrongs done or things lacking in our lifestyles. But for most Indians, who are not connected to the Internet or to the phone lines and power lines in this country, the luxury of time is fast running out. Their problems need to be addressed quickly. The founders of this nation had a vision for rural India. That vision did not talk about religion or nationality: it spoke of dignity and equal opportunity. May the next government have a higher agenda. •

Swift moves

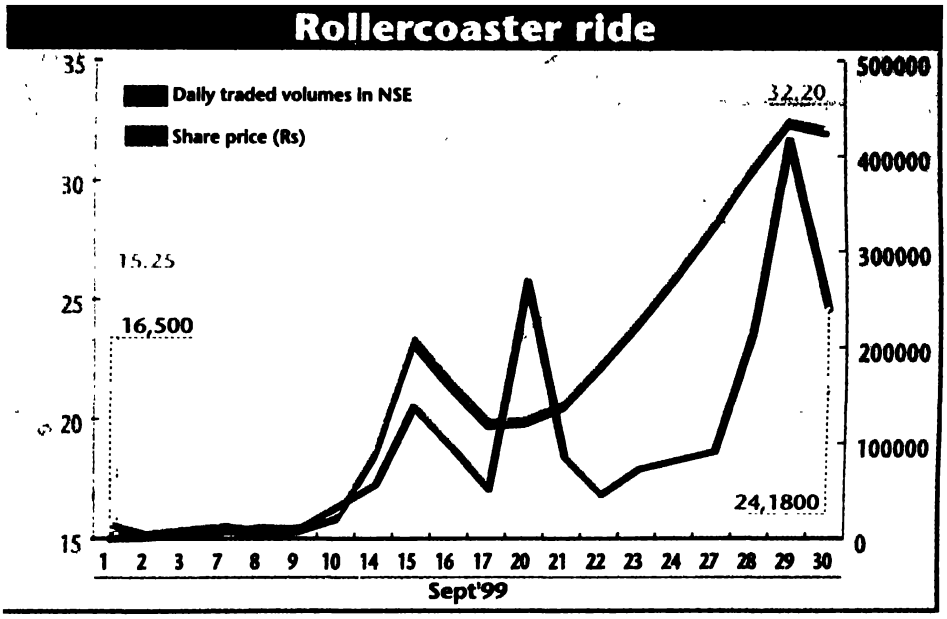
Ind-Swift Labs is making rapid strides on the stockexchanges. Is the rise for real?

Its stock seems to be pumped with steroids. Ind-Swift Laboratories (ISL), of late, has been hitting the upward circuit breakers with rumours of the company being taken over or a strategic investor is desperately seeking an entry into this lesser known company.

ISL is part of the Rs107-crore Chandigarh-based Ind-Swift group, which has four companies under its banner. Two of these — India Swift Ltd and India Swift Labs — are listed on the bourses. While the flagship company, Ind-Swift Ltd, is listed on the Bombay Stock Exchange (BSE), Ind-Swift Labs is traded on the National Stock Exchange (NSE). These counters have witnessed active trading and are currently changing hands at Rs60 and Rs32 respectively. The latter, in the last three days of September 1999 alone, attracted daily average volumes of over two lakh shares. And its share price over the month on the NSE has galloped by over 100 per cent to close at Rs32.20.

Ind-Swift Labs manufactures intermediates and bulk drugs and at present its emphasis is on rolling out macrolide antibiotics. The company recently launched Omeprazole and Lansoprazole. Its plant in Punjab adheres to the GMP and USFDA specifications in order to facilitate quicker clearance in future. While the company sells its bulk drugs to the top rung Indian pharma companies, to take care of the exports it has appointed agents in over 30 countries. The major competition comes from Alembic Chemicals for the macrolide antibiotics. The other competitors are Abbot Laboratories, Hoechst Marion Roussel and Kopran.

What has attracted marketmen to this counter? The news is that one of the northern India based pharmaceutical giant which has also been its consumer has put the company under the microscope. While the deal has yet to be sealed, according to another grapevine, the group is looking at merging the two listed companies. Although, V.K. Mehta, the joint managing director of ISL, would like to be silent on these issues, there can't be smoke without fire.



The lure

But there is more to entice marketmen towards the counter. For one, ISL is the only company in the world (apart from the innovator) to have developed clarithromycin granules which goes off patent in 2007. Again it is the first to develop roxithromycin granules besides azithromycin granules and clarithromycin dispersible in the dosage form.

As it happens, ISL is one of the lesser known companies in the Indian pharmaceutical industry whose core strength lies in macrolide antibiotics business which the company has developed within a period of only two years. The product range includes erythromycin stearate, roxithromycin, clarithromycin and azithromycin. "We have recently launched omeprazole which will be followed by lansoprazole during the current year," adds Mehta.

The company opened its doors to the investing public in 1997 with a Rs5.70 crore equity issue at a premium of Rs5. The issue was oversubscribed by 1.5 times. Currently, the company manufactures intermediates for captive consumption and bulk drugs for bigwig pharma companies like Ranbaxy, Cipla, Cadila, and Lupin. In fact, since ISL's plant is built as per the USFDA, the company has also emerged as a supplier of bulk drugs to formulation companies in more than 30 countries. "Within a span of two years, almost 40 per cent of our sales come from exports," says Mehta.

A strict analysis of ISL's results shows that for the year ended March 1999, while the income has risen from Rs27 crore to Rs46.89 crore, the net profit has pole-vaulted from a mere Rs1 lakh to Rs1.23 crore causing the EPS to rise from one paise to Rs1.28. Again for the first quarter of the current year income and net profit continue to show a rising trend moving to Rs14.23 crore and Rs75 lakh respectively. "For the full year ISL should end up with a sales in excess of Rs75 crore," states Mehta.

• LANCELOT JOSEPH

HUGHES SOFTWARE

Huge potential

Who says that the primary market is dead? The response that the software offerings are receiving only shows the investing public's bullishness on the sector. The recent blockbusters have been Polaris and Kale Consultants. But there are offerings from the financial sector that are also getting a good response. What it basically points out is that if somebody has a good stock to offer there are takers. Take the case of Hughes Software Systems which is coming out with its IPO. Its book building process (for 90 per cent of the offer) has managed to fetch the top end of the band of Rs630 per share raking in Rs6,000 crore. The balance 10 per cent of the public offer will be open for subscription in the first week of this month.

The HSS equity is being held by Hughes Network Systems (Mauritius route) and Hughes Network Systems India Inc, US. Together, they hold 76.2 per cent. This holding would come down to about 56 per cent post equity offering.

HSS is engaged in developing communications software and caters to communication equipment manufacturers, system integrators and service providers. With the explosion in Internet usage and e-commerce, the applications for multimedia and increased transmission of data and video communications, has thrown up immense potential for communication software products and services. Being in the field since the early 1990s, the company has developed excellent delivery model.

Since inception, HSS used to develop such software exclusively for its parent. However, the company changed tack by developing software for other companies too. Today, a fourth of its revenues come from outside clients and the promoters expect this percentage to increase over the next couple of years.

There are a handful of companies that have demonstrated their ability to develop and sustain high quality products used in the communications industry. Since HSS is an Hughes group affiliate, it enjoys excellent brand image, which should be leveraged to increase its client's list.

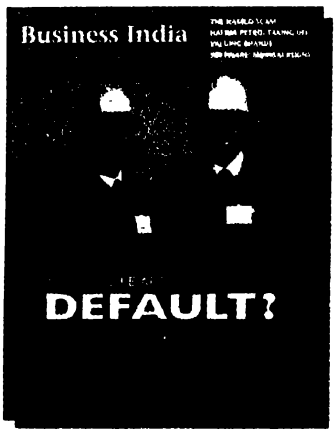
Of the total revenue of Rs85 crore during the 15-month period to March 1999, about Rs8.5 crore comes from sale of products. According to an analyst with KR Choksey, the product segment of business is expected to grow "exponentially" and its contribution to total revenue would be about a third in a couple of years. Some of the products developed by the company are ProtoQuickTM, MultiQuickTM, SwiftBillTM and AAPEIM. Because of the large investment in R&D amounting to Rs8.5 crore, the product business is not yet profitable, but a large part of the profits would come from this segment. Here a prudent accounting practice has been adopted by writing off the entire R&D expenditure in one year.

Belonging to the category of companies that are dependent on intellectual capital, the staff strength assumes significance. HSS employs about 750 engineers and the number is expected to double within a year.

Performance-wise, for the 15-month period to March 1999, HSS sales jumped from Rs41 crore to Rs85.6 crore — an annualised jump of about 67 per cent. Post-tax profit increased from Rs10.35 crore to Rs18.9 crore — a 46 per cent increase on an annualised basis. However, margins have dipped largely because of the R&D expenditure. The earning per share on an equity of Rs6.3 crore works out to about Rs24 on an annualised basis.

According to an analyst quoted earlier, HSS has developed excellent skills in product development. Only a few companies have demonstrated their skills in product development and the investors have begun giving them substantial weightage as can be seen from their price/earning multiples. Looking at the past year's performance, the price fixed for the public offering at Rs630 per share translates into a price/earning multiple of 56 times (annualised) on post-equity capital. This is much lower when compared to several of the infotech companies' stocks which are quoting at a price/earning multiple of around 100 times. Taking into account the track record of Hughes Software and the potential that exists in its line of business, the offer is clearly irresistible. •

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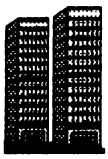
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Go, gilt it

Government securities have become the flavour of the season as mutual funds look for safer investment offers

The Indian financial markets are no different from those elsewhere, they too are driven by the herd instinct. Consider the mutual funds industry. The early 1990s saw practically every financial player, from a brokerage outfit to a commercial bank, getting into the mutual funds business. The equity market was in a boom phase with the onset of liberalisation.

But the euphoria was short-lived. The stockmarket plummeted and interest rates started hardening. Equity lost its sheen. Having burnt their fingers pretty badly, the mutual fund party-hoppers shifted to debts and bonds. The focus shifted from growth to steady returns. But, alas, this too met the same fate. All efforts by the Reserve Bank of India, the National Stock Exchange, *et al* to widen, deepen and create a vibrant debt market proved futile. Most fund managers are still stuck with the papers they picked up and any appreciation (or for that matter even depreciation) continues to remain in their books.

But the mutual fund breed is a feisty lot that does not easily call it quits. Their new theme? A steady return which is also safe and assured. And what could be safer than sovereign paper? Witness now the hordes that are jumping into gilts. It is not that the markets have just discovered a new maxim. Can Bank Mutual Fund had launched it way back in 1993-94. But the market did not lap it up. For one, it was launched ahead of its time. That was the era when interest rates on the government borrowing programme were driven not by the market but by the RBI. Secondly, it was not a dedicated gilts fund. The credit for reviving this goes to Kotak Mahindra Mutual Fund, which launched the first gilt scheme in December 1998.

After an initial wait-and-watch period of two-three months, practically every mutual fund has been announcing a gilt fund. It was obvious they could not deny the fact that money was gushing into Kotak's gilt fund. Its two open-ended schemes, K-Gilt Savings and K-Gilt Investment plan, mopped up Rs90 crore in the IPO. And nine months later, the corpus has zoomed to over Rs375 crore.

Last June, Canadian Dundee Mutual Fund launched its Sovereign Trust closely followed by Templeton's Government Securities Fund. Tata Mutual Fund, Prudential ICICI and UTI also launched their schemes in the subsequent months. The gilt fund as an investment concept is just a nine-month phenomenon but one that has already mopped up over Rs1,000 crore. And that is not all — a host of mutual funds are lining up to launch their gilt funds. By the looks of it, the gilts market seems set to grow only one way — northwards *(see table)*.

Says Kotak Mutual Fund CEO Chandrashekhar Sathe, "The market for gilt funds is huge. Its growth is dependent on two factors: the growth of banks' aggregate deposits and the government's borrowing programme. Both, we reckon, will continue to grow." According to Sathe's calculations, bank deposits are estimated to double in the next five years from the present Rs7,40,000 crore and the share of the mutual fund business is in the region of 5-10 per cent. Of this, a substantial allocation will be to gilt funds. There are plenty of reasons why this is likely. For one, the RBI has made it easier for gilt funds to invest in government stocks and it also extends line of credit to them. (RBI has undertaken to purchase up to 20 per cent of the total investment of the fund in government securities at any time,

The gilt rush

K Gilt (Investment)	Kotak Mahindra	21-Dec-98	10.89	17-Sep-99	354.50
K Gilt (Saving)	Kotak Mahindra	21-Dec-98	10.78	17-Sep-99	68.30
Templeton India Govt. Securities Fund	Templeton	21-Jun-99	10.33	17-Sep-99	95.77
Dundee Sovereign Trust	Dundee	15-Jul-99	10.27	17-Sep-99	7.56
Tata Gilt Securities Fund A (Reg)	Tata	03-Aug-99	10.04	18-Sep-99	NA
Tata Gilt Securities Fund B (App)	Tata	03-Aug-99	10.03	18-Sep-99	NA
Prudential ICICI Gilt Fund (Investment)	Prudential ICICI	09-Aug-99	10.09	17-Sep-99	166 *
Prudential ICICI Gilt Fund (Treasury)	Prudential ICICI	09-Aug-99	10.09	17-Sep-99	
UTI G-Sec Fund	UTI	04-Sep-99	NA	NA	212

In the pipeline

DSP ML Government Securities	DSP Merrill	Kothari Pioneer Gilt	Kothari
Birla Gilt Plus	Birla	Canbank Gilt	Canbank
Cholamandalam Gilt	Cholamandalam Cazenova	SBI Gilt	SBI
Zurich India Sovereign Gilt	Zurich	Sun F & C Gilt	Sun F & C
Alliance Government Securities	Alliance Capital	Reliance Gilt	Reliance

* the corpus is for both options investment and Treasury plan Net Assets is as of 25 Sept., 1999 Source: Credence

thereby ensuring that the fund never experiences a liquidity crunch.)

Second, the last few years have seen a steady narrowing of the gap between the returns on corporate and government paper. The gap, which was as high as 400-500 basis points (1bps =1/100th of 1 per cent) for AAA-rated paper about three years ago, has now shrunk to around 100 bps, which makes it unattractive considering the credit risk involved. The third reason has to do with fiscal incentives. The Centre has made dividends tax-free for investors, while the fund has to pay a withholding tax of only 11 per cent. Which means a corporate or a bank investing directly in a paper may have to cough up 38.5 per cent tax (depending on the tax slab). But the income from a gilt fund is tax-free. Besides, gilt funds also have other tax incentives under section 80(L), section 54 (EA) and section 54 (EB).



Sathe is bullish on the gilt funds market

Swings in NAV

	K Gilt investment	Prudential ICICI Gilt Treasury	Templeton on Gilt Fund (G)	[illegible] on Gilt Fund (D)	Prudential ICICI Gilt Investment	K Gilt savings
27-Sep	10.94	10.13	10.37	NA	10.12	10.81
20-Sep	10.92	10.10	10.34	10.03	10.10	10.79
23-Aug	10.86	10.04	10.29	10.27	10.04	10.72
27-Aug	10.87	10.05	10.30	10.27	10.04	10.73
09-Aug	10.84	10.00	10.28	10.25	10.00	10.70
26-Mar	10.31	0.00	0.00	0.00	0.00	10.28

So far it looks good. We all agree that there is no credit risk involved in gilt funds as they invest only in sovereign paper. But what about interest rate risks? Also, even if they are dedicated gilt funds and invest only in government securities, then why does the NAV of one fund differ from the other? (*see table*). Is it meant for the small investors?

Kotak's Sathe insists that it is meant for the small investor and points out that it is far safer and offers better yields than investing in a bank deposit. Says Sathe, "Unlike in the past, banks frequently change their interest rates on deposits and a depositor cannot take benefit from this as there is a penal interest involved if a deposit is broken before maturity. But gilt funds being open-ended schemes, an investor can enter and exit at will." Also, if interest rates go down, the value of the paper should move up. But that does not happen in the case of bank deposits. Therefore, considering the liquidity and opportunity costs, gilt funds are superior to bank products, he adds.

However, Ashutosh Bishnoi, president and chief executive of JM Capital Management, cautions that although gilts do not have credit risk, interest rates can be quite volatile and the returns may not always be positive. He stresses that the product is meant for big-ticket investors like corporates, banks and provident funds as they also benefit from tax arbitrage. Says Bishnoi, "Interest rates can be quite volatile as was seen during the Kargil episode." An investor must first understand the nuances of his investment, that interest rate movements are directly linked to several factors driving the economy. They are linked to government borrowing and expenditure, fiscal discipline, exchange rate movements and also the RBI's monetary policies. Unfortunately, the average small investor is not equipped to understand this. In fact, the differences in the NAVs of various funds are a pointer to the element of interest rate risks, Bishnoi explains.

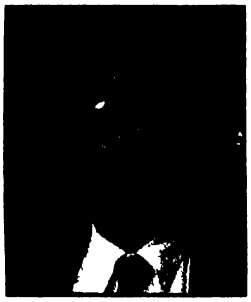
Besides, there seems to be a risk in the NAVs also. There is lack of transparency and uniform methodology in the calculation of the NAVs. If it is to be the parameter of investment, then that does not spell much for safety either. This also means that it is not just the instrument that the investor has to track but also the experience and track record of the fund manager as it requires investment as well as bank's treasury expertise.

"But an investor staying in the fund till the maturity of the paper cannot lose as government paper is always redeemed at face value," defends Kotak's Sathe. Adds Dileep Madgavkar, chief investment officer at Prudential ICICI AMC, "The investment has to be with a specific time horizon. Investing for the short term in a long-term instrument could result in a loss. It is a loss not just for the investor but also for others; if a big investor moves out, the entire fund can get affected."

Having a skewed high-net worth investor base is yet another risk for a gilt fund. Market players point out the case of UTI-Gilt which has a corpus of Rs212 crore, where it is believed that around Rs200 crore is invested by just three banks. Imagine the fate of the fund even if one of the banks withdraws from the fund. Therefore, a wide investor base is crucial. Hence, keeping this retail aspect, Kotak has launched the K-Gilt serial plan where the investor has a choice of 10 maturity options from K-Gilt 2001 to K-Gilt 2019 with a gap of two years, informs Sathe. Each plan will invest predominantly in those gilts maturing during the two years immediately preceding the maturity date of the plan. "The investor can use this as a pension plan as well and spread his investments over the next 20 years," Sathe adds.

Some funds like JM Mutual have even started a media education campaign highlighting the risks involved in the gilt funds game. Investment in equity and bond funds have not fetched any pot of gold, the returns came with a risk. Gilt funds looks a little less risky but nevertheless are not risk-free either. Therefore, the *mantra* for investing in them is the same — tread with caution.

◆ ROHIT RAO



CHETAN PARIKH

The author is director of Jeetay Investments Private Limited, an investment advisory firm.

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Old media, new media

It's impossible not to take notice of great stories, whether they are told around a Neolithic campfire or in the cathode-ray glow of the digital hearth

When the Schumpeterian gales of fury and destruction have cleansed out the outmoded old and ushered in the nascent new, the competitive landscape might surprise even the most visionary media mogul. The footloose footprints of the Internet have desultorily and digitally dotted every conceivable business model (the oldest profession might also have to combat virtual brothels). Can the media industry, broadly defined, be an exception owing to its historical habit of adapting to new technologies? The media family tree has deep roots – scribes, Guthenberg's printing press, newspapers, radio, motion pictures, television, and home video – and every new evolution has un-Darwinlike abetted the older species not only to survive but also to prosper.

Viewed cursorily the Net looks like another distribution tentacle of the media octopus. Shopping at Amazon.com surely helps broaden the demand for books just as online music retailers find a hitherto invisible demand for many titles. The Net will cannibalise on some of the juicer morsels of the traditional media, enervating their economics. The Internet has been a decimatory débutante in old media social circles with its all-free allure. Traditional local newspapers will find with the growing Internet cult that their bullet-proof franchises and the sustenance of their economic existence – classified advertisements – will not provide the same succulence — the margins of on-line newspapers will not be as attractive even while their geographical scope will have widened and distribution cheapened and simplified.

Publishing empires, like the aristocratic titles of the nobility of the past, will become less influential in the future. The ensemble of special skills once performed by publishing company employees – line editors, designers, publicists – will be found on a cheaper (even unpaid) and freelance basis on the Net. Though it is impractical to have a distribution mechanism for books over the Net, this may not be the case in the future. The Internet has become a free publicity mechanism – copious passages can be freely copied and circulated on the Net – creating a network of readers that will underpin the demand for the physical printed version. Expect publishers to have lower negotiating clout with the attendant damage to their profit margins.

Advertisement agencies, confronted with the birth of another medium of patronage, will come to realise that consumer brands will be bifurcated — some will be commoditised, while others will be immeasurably enhanced. In either case the balance of power is likely to shift from FMCG players to retailers who can make the shopping experience invigorating — as something to have fun doing rather than something to buy.

Even with increasing globalisation, regional and local entertainment businesses will flourish. A large part of the programming in every country will have its own cultural and ethnic bias. Even emerging economies will witness the rapid penetration of home entertainment technology and delivery systems (cable, DVD, computers) — and more importantly for investors, this will be largely independent of the overall macroeconomic growth rates. Media companies will have to forge local alliances — India's stockmarkets have correctly acknowledged that trend by the dramatic re-rating of some home-grown players.

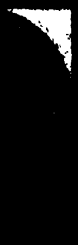
As Michael Wolf concludes in his book *The Entertainment Economy*: "The great wild card in the entertainment economy is the creative element. There is no spreadsheet that can fully predict [consumer preferences]. I believe successful companies will be the ones that create talent-friendly environments. Ultimately, it's really not about corporate behemoths, mergers, or finances, or the box on top of the TV set. It's about stories that move us, characters we can root for, ideas that transform the cultural landscape, special effects that take us to a world we've never seen before, situations and lines that make us laugh, and ideas that are so universal, they forever change the way we live. In the hi-tech entertainment economy the old-fashioned, low-tech motivator of change and innovation still reigns supreme: The most valued commodity is the human imagination. Humanity makes it impossible not to take notice of great stories, whether they are told around a Neolithic campfire or in the cathode-ray glow of the digital hearth. It all starts with a well-told "Once upon a time...". •

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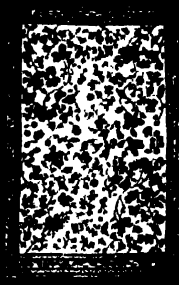
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Net those deals

Although it may seem unimaginable today, over the long term the Internet poses a threat to the very existence of stock exchanges

Electronic trade in the US has started after-market trade. This is an encouraging response to action in the market hours. Such trades can take place through the Internet without the involvement of stock exchanges as such. In response, both the NYSE and NASDAQ plan to extend their trading hours.

Stock exchanges came into being to enable buyers and sellers to come together and transact business. In the case of the present-day stockmarket, the number of buyers and sellers is very large and there is always a risk of default. Keeping this in mind, only recognised stockbrokers, who are certified members of the exchanges, have been allowed to carry on transactions. The exchange controls their trading operations, ensures they have significant financial backing/net worth and provides recourse in case of default. Such intermediation and overseeing by exchanges obviously involves a cost. The Net allows buyers and sellers to meet in cyberspace without physically moving from their offices or homes.

In the age of Internet trading, barriers of capital cost and financial backing will wither away. Don't get startled when I say that capital adequacy may not remain a barrier. I am imagining a situation where all trade happens in a dematerialised form and all banking is electronic. Therefore, when seller A sells to buyer B, there is instantaneous transfer of shares and money from one account to another. As transactions take place simultaneously, there would be no need for capital adequacy to facilitate trade. In other words, if I want to buy 100 shares worth Rs1,000, there has to be a balance of Rs1,000 in my account and if I want to sell a certain number of shares, they have to be there in my demat account before I can execute the transaction. In an electronic world, it will not be difficult to track such information regarding registered users.

As we are so used to the physical world, apprehensions regarding fraud, problems in the back office, etc, are natural. But electronic trade does away with the back office and the possibility of fraud as we know it today. But there will be electronic fraud which will require a different kind of security system. No system can be foolproof, but at least the system will allow easy tracking of transactions. This will be something like the auctions on e-bay site where buyers and sellers match their bids and offers and strike deals.

Theoretically, hundreds of websites will facilitate buying and selling where buyers and sellers match their bids without the need for an exchange. However, in practical terms, some of the sites will emerge as leading markets for exchanges due to volumes and liquidity.

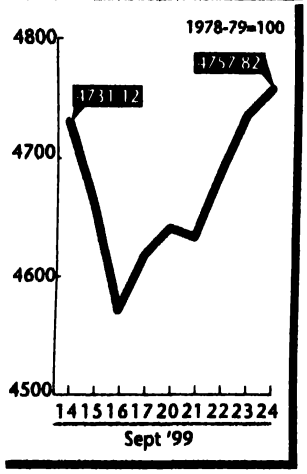
The question that arises is, will the government, the regulators and the state allow it? I cannot imagine how they can stop it. But it will take them some time to understand that free trade and the most efficient way of conducting it cannot be put off for long.

This obviously is more likely to happen first in the developed US market. Most people will laugh if I say it can happen in India too. However it will happen not because of our 'progressive' or 'forward-looking' regulators or banks or financial markets, but rather because of technology. If I can draw an analogy, 10 years ago nobody could have imagined that STD facility would be available in most villages in the country. This has happened without any significant effort on the part of the government, primarily because of technology driving the cost of hardware down and making it feasible to expand rapidly.

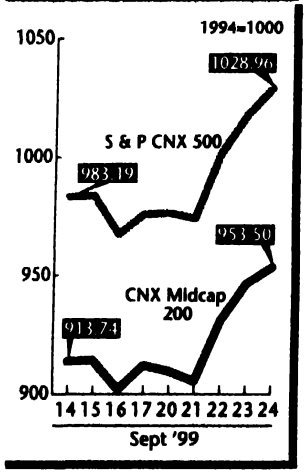
Even in our stockmarkets we have seen how the trading system has evolved from trading ring to BOLT. Competition from NSE led to the extension of trading to a number of cities and terminals, and people started trading on stock exchanges from wherever they could put up the BOLT screen. This will take 10, maybe 20 years, but we are entering into an era of excitement, an evolution of system in a manner which has been unthinkable till now. In the Indian context there are reasons to be pessimistic. A number of steps taken by regulators are regressive. For instance, off-market trades were recently discontinued. Many a time, regulators in India (may be in several other countries too) forced certain regulations to make their life simple or sometimes apparently to correct a small problem. Inadvertently they might create inefficiencies, which might cost much more in the long term. The corollary of this development would be that commission rates would go down. Technology will force everyone to become more efficient (they can delay but they cannot deny). •

Indicators for fortnight ended 10 September 1999 — Equities

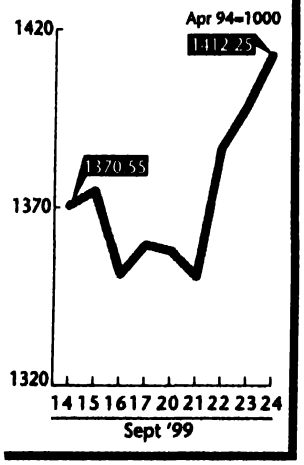
BSE-Sensex



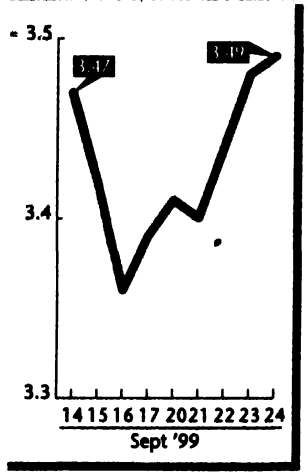
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 -Best Performing Industries

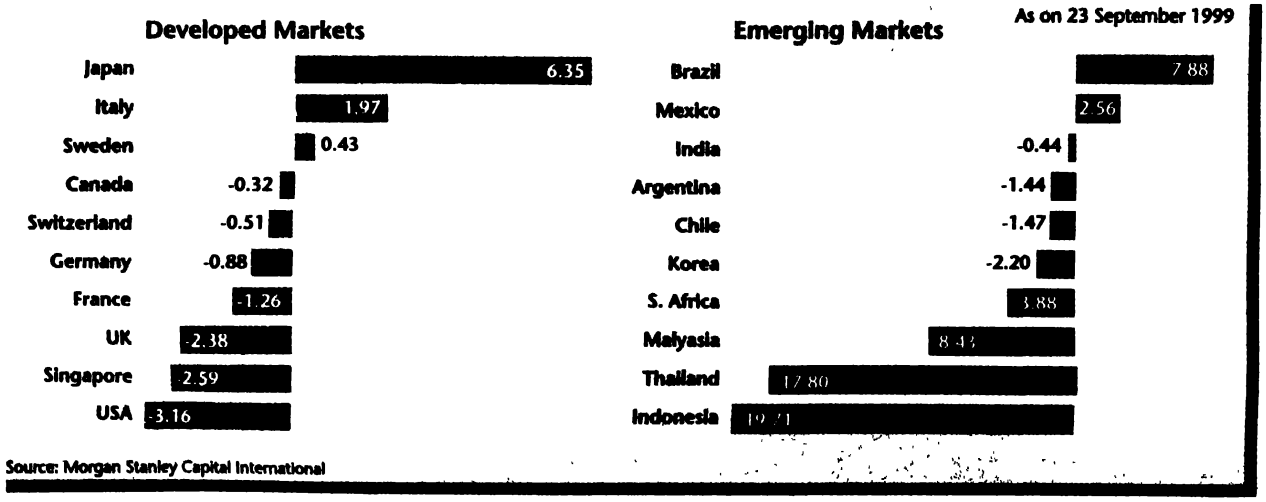
Industry Name	2-week % change	Yearly % change
Castings/Forgings	30.63	320.37
Computers- Software	24.11	251.71
Brew/Distilleries	22.95	90.92
Packaging	16.93	114.56
Metals	16.18	135.52
Printing & Publishing	12.72	267.87
Financial Institution	11.92	2.05
Computers- Hardware	11.30	233.45
Pharmaceuticals	11.22	138.41
Miscellaneous	10.77	55.16

S&P CNX 500 -Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Hotels	-13.50	1.29
Textile Machinery	-13.11	20.04
Tyres	-12.39	102.84
Power	-10.98	-1.81
Cigarettes	-9.85	24.14
Steel & Steel products	-8.84	25.93
Shipping	-8.15	-15.76
Solvent extraction	-7.98	56.40
Pesticide & Agrochemicals	-7.94	56.61
Plastic & Plasic products	-7.81	27.01

Monthly change in world stock indices

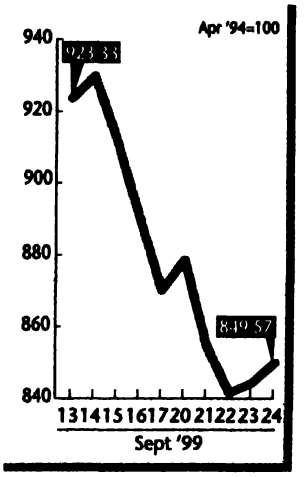
As on 23 September 1999



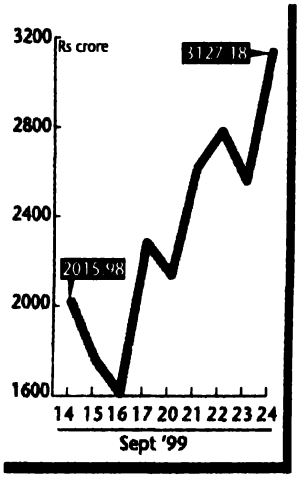
Source: Morgan Stanley Capital International

Equities

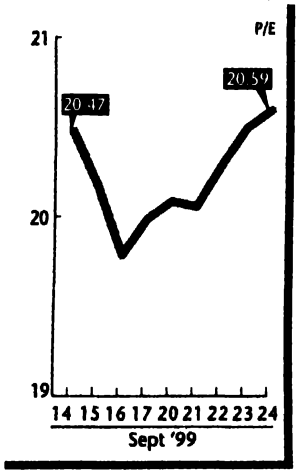
Skindia GDR-Index



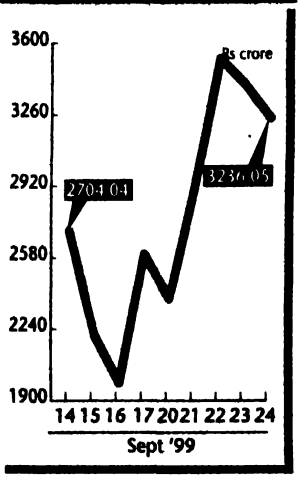
BSE-Volumes



Sensex PE



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-24 Sept Rs	2-week % change	52-week High/Low
Ceat	71.50	-24.70	100/17
Mangalam Cement	22.00	-24.14	39/5
Clariant (India)	332.00	-23.41	355/137
V.I.P. Industries	38.50	-22.38	52/19
J.K. Industries	51.90	-21.66	70/15
Kajaria Ceramics	35.50	-20.22	49/25
Bharat Earth Movers	26.85	-20.09	44/17
Bharati Telecom	144.00	-20.00	240/83
Vinyl Chemicals (India)	20.00	-19.84	29/12
Ashok Leyland	112.90	-18.78	161/20

S&P CNX 500 -Best Performing Stocks

Company	Price-24 Sept Rs	2-week % change	52-week High/Low
SRF	53.05	49.23	53/7
Zee Telefilms	4770.10	48.14	4800/527
Electrosteel Castings	1144.05	46.67	1144/172
Atlas Cycle Industries	186.10	46.59	202/43
Wipro*	1444.35	45.89	1444/306
United Breweries	113.10	41.38	129/18
Cipla	4340.00	40.73	4592/792
Mirc Elecrinics	482.50	40.69	498/72
Essel Packaging	637.20	40.07	637/167
Citicorp Securities	389.75	38.21	390/12

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price-24 Sept Rs	2-week % change
Reliance Industries	688.52	209.05	6.39
SBI	386.89	212.75	-5.04
Silverline Industries	322.91	353.90	25.97
Jaiprakash Industries	261.68	57.55	3.69
Satyam Computer	234.96	1066.00	18.58
Global Tele-Systems	211.63	549.00	23.37
Ranbaxy Laboratories	206.78	1056.00	-3.74
Pentafour Software	201.58	619.00	2.23
TELCO	200.79	280.50	-8.62
HFCL	184.09	288.45	12.87

S&P CNX 500 -Large Market Cap Companies

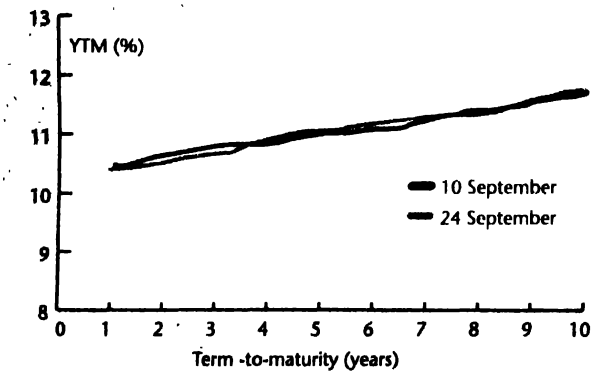
Company	Avg Mkt Cap Rs crore	Price-24 Sept Rs	2-Week % change
Hindustan Lever	55269.49	2564.95	-2.06
Wipro*	25723.14	1444.35	45.89
Infosys	22641.76	7649.00	27.59
ITC	22561.61	876.05	-9.79
Reliance Industries	17924.72	209.05	6.39
Ranbaxy	12007.97	1056.00	-3.74
MTNL	11601.77	188.00	0.13
SBI	11182.82	212.75	-5.04
VSNL	9903.85	1035.00	-3.27
NIIT	9217.14	2835.00	35.06

Source: India Index Services and Products

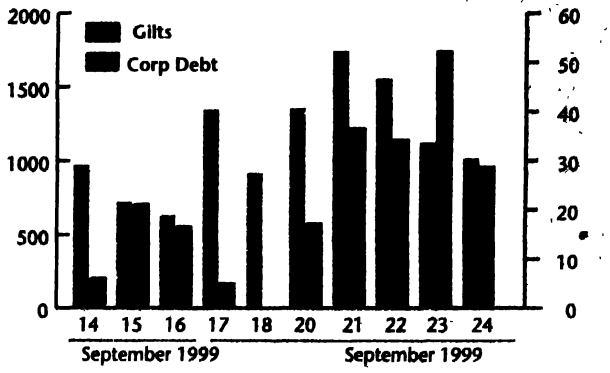
** Wipro Face Value Rs2*

Debt

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	10.26	9.93	Call ruled high on tight liquidity early in the period
Treasury Bills[2]	8.63/9.48/10.35	8.63/9.48/10.31	TB yields were largely maintained
Bonds (AAA)[3]	12-12.50	12.0-12.5	Activity was low key
Debentures (AAA)[4]	12-12.60	12.0-12.6	Issuance was subdued
ICDs[5] (Grade A)	11.25-11.75	11.75-12.25	A number of ICDs were placed
CPs[6] (P1+)	10.15-10.25	10.25-10.50	CP rates fell marginally with lower call
PLRs[7]	12.00	12.00	The onset of the busy season should cause a pick-up

1.Call money is fortnightly average rate, 2 Treasury bills (TBs) are cut-off yields on 14 day TBs, 91day TBs and 364 day TBs at auctions; 3:Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5:Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market, 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

• September 14-24 #Aug 28-Sept 10

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
Nalco	NCD	100	2005	AAA	13.49
Rel Petro	NCDs	100	2001	AA	17.3

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
WBIDC (St Govt Guar.)		Bonds/13.60	200+300	7
EI Hotels	-	Pref shares/ 9.6	100	7
HOCL	-	Secured Deb/ 13.50	20	3

Snapshot

The debt market continued to be subdued on account of tight liquidity conditions in the money market. Outflows on account of bond issuance caused call to rule high during the early part of the fortnight. Call rates spurted over 12% levels as players sought funds even after accessing refinance. There was no issue of dated securities. TB auctions witnessed devolvements as RBI kept the cut-off yields steady. There was a hike in the 364D TB cut-off yield. Secondary volumes were low earlier but improved towards the end of the period as market sentiment improved following lower call rates. Forthcoming redemptions and a fall in call rates resulted in a bullish undertone. The corporate debt market also witnessed low activity. The market is expected to be firm during the period.

Source: SBICAP; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

Business India-Credence: Mutual Fund Performance
Growth Schemes

TOP 10

If Rs 10,000 was invested in each of these schemes on 18 September 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Price based Rs	% change	Risk grade	Issue date	Redemption date
1	Birla Advantage Fund	Birla MF	24413	144.13	24544	145.44	II	24-Feb-1995	Open-Ended
2	HB Libra Leap	HB MF	23523	135.23	NA	NA	I	27-May-1996	06-Sep-2001
3	Alliance Equity Fund	Alliance Capital MF	22872	128.72	NA	NA	I	27-Aug-1998	Open-Ended
4	Zurich India Equity Fund	Zurich India MF	22809	128.09	21521	115.21	IV	24-Dec-1994	Open-Ended
5	KP Prima	Kothari Pioneer MF	21219	112.19	20842	108.42	V	30-Nov-1993	Open-Ended
6	Apple Midas Fund-Goldshare	Apple MF	20955	109.55	16079	60.79	II	02-May-1994	Open-Ended
7	KP Prima Plus	Kothari Pioneer MF	20700	107.00	20192	101.92	II	28-Sep-1994	Open-Ended
8	Sun F&C Value Fund	Sun F&C MF	19951	99.51	20124	101.24	I	05-Jul-1997	Open-Ended
9	Apple Platinumshare	Apple MF	19870	98.70	19310	93.10	I	21-Jan-1995	Open-Ended
10	Magnum Multiplier Plus	SBI MF	19584	95.84	NA	NA	IV	20-Feb-1993	Open-Ended

BOTTOM 10

58	BOB Growth 95	BOB MF	13399	33.99	NA	NA	I	20-Dec-1995	21-Dec-2002
59	ICCI Premier	Prudential ICICI MF	13245	32.45	12939	29.39	IV	08-Jan-1994	09-Jan-2000
60	IDBI I-Nits 95 A (Div)	IDBI MF	13240	32.40	NA	NA	III	06-May-1995	07-May-2000
61	Ind-Ratna	Indbank MF	12617	26.17	15075	50.75	II	22-Feb-1990	22-Feb-2001
62	GIC Fortune 94	GIC MF	12337	23.37	11938	19.38	II	02-Dec-1994	Open-Ended
63	Dhanasamriddhi	LIC MF	11990	19.90	NA	NA	I	10-Aug-1994	Open-Ended
64	Ind Navratna	Indbank MF	11693	16.93	10190	1.90	III	25-Jun-1994	30-Jun-2004
65	Dhanaraksha 89	LIC MF	11093	10.93	10626	6.26	II	19-Jun-1989	Open-Ended
66	PNB Premium Plus (Gr)	PNB MF	9188	8.12	NA	NA	I	15-Jan-1992	16-Jan-2000
67	PNB Premium Plus (Div)	PNB MF	9188	8.12	8932	-10.68	III	15-Jan-1992	16-Jan-2000
	Median Return-Peer Group		15806	58.06	11514	15.14			
	SNP CNX 500		15924	59.24					
	BSE Sensex		14943	49.43					
	BSE Natex		15355	53.55					

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all short-listed schemes.

COMMENTS

The shortlisted growth schemes have marginally under-performed the benchmark, the broad based S & P CNX 500 Index. The annual median return of these growth schemes is positive 58.06% versus positive 59.24% of S & P CNX 500 Index. The present rallies in the market have been broad-based. During the selected period S & P CNX 500 Index has marginally out-performed the premier index BSE Sensex. THe expectations of an impending turnaround in the economy have caught the investor's attention on small and medium cap stocks too. Of the shortlisted 66 schemes, 49% of the schemes have out-performed all the benchmark indices.

The investment performance, however is not uniform across the schemes with top 4 schemes generating an annual return of over 125%, while the bottom 3 schemes managed to return less than 10%. With the Indian economy on a recovery path, cyclical and commodity stocks have appreciated remarkably with Infotech sector out-performung the other segments of the economy by a large measure.

Compared to last mutual fund ranking (as on August 6th, 1999) on growth schemes, Alliance Equity Fund from Alliance Capital MF, Magnum Multiplier Plus from SBI MF have been added to the top 10 rank while DSP -ML Equity Fund from DSP Merrill Lynch MF has dropped out of the list.

PRAJAKTA

The lost wasp

The sale of Piaggio gets Italy emotional

If Piaggio was in the news in India for the launch of its Apé range of three-wheelers, it hit the headlines in its home country for quite another reason. The proposed sale of Piaggio Veicoli Europei SpA to an American investment company, Texas Pacific Group, has brought patriotic tears to the Italians' eyes. Recently several well-known Italian brands like Gucci, Perugina, and Martini have all been acquired by foreign companies. When Telecom Italia was threatened with a takeover by British Telecom, the nation heaved a sigh of relief when it finally passed into the hands of another home-grown company, Olivetti. The *swadeshi* Piaggio's passing into *videshi* hands has led to outrage among the locals. The Italians, you see, have always had a soft corner in their romantic hearts for the Vespa.



The promiscuous Vespa is about to dart into foreign hands

Launched in 1946, a silver model with a rounded shape, it symbolised hope amidst the ruins of World War II. The scooter rolled out of a wartime airplane factory, was designed and made completely indigeneously from spare airplane parts, and brought a whiff of optimism in the air. *The Times* of London described it as "a completely Italian product such as we have not seen since the Roman chariot". Its name, Italian for wasp, was because of its shape and the buzzing sound it made when its engine was revved up. The Italians, of course, have another explanation. "Wasps are promiscuous creatures which dart here and there. Likewise, the ragazzi (youth) loved to zip around on their Vespas with *bella signorina* (beautiful girls) perched at the back, a different girl each time," they tell you with a laugh.

Literary critic Umberto Eco writes of this snazzy little scooter being the icon of desire, symbolising "exciting sin" and "subtle seduction of faraway seas". When Audrey Hepburn took a ride with Gregory Peck in *Romantic Holiday* (1953), the Vespa became a legend. In Italy, like in India, mothers nag their grown-up daughters to make correct marriages. Elopement was not always possible since the bicycle was the chief vehicle of conveyance. A pretty Hepburn clinging on to a penniless reporter, Gregory Peck, with the speedier Vespa as an accomplice, translated the dreams of the youth into a reality.

Piaggio has a 32 per cent share of the scooter market in Europe and a dominant 39 per cent in Italy. It failed to make inroads in the US because of pollution concerns, which have now been addressed in a newer model with a low-emission engine. In 1997 the company made a net loss of 51 billion lire on sales of 1.85 trillion lire. With cost-cutting and restructuring the company bounced back to health last year with profit of 10 billion lire. Why on earth a profitable company should be sold is the common refrain.

Piaggio's problem, however, is the bane of several small and medium-sized family-owned companies. Their complicated family holdings make it difficult for the company to raise equity in the market, thus thwarting growth in a global economy. Its largest shareholder, Antonella Bechi Piaggio, died in April this year. But even earlier in 1997, on the sudden death of her heir, Giovanni Alberto Agnelli, 33 years, who was slated to be the Chairman of Fiat and was chairman of Piaggio, the company had been looking for a buyer.

Texas Pacific Group is a US investment company controlled by the financier David Bonderman. This is not the group's first acquisition in the two-wheeler market. In 1996 it bought out Ducati Motor Holding SpA in partnership with Deutsche Asset Management. The American company is expected to pay 1.3 trillion lire for the Italian scooter-maker. It has gone to great lengths to explain that the brand, technology, and management will remain Italian. Analysts expect it to take Piaggio public, the way it did with Ducati.

While the general public vehemently oppose the sale of Vespa, one section of the Italian corporate world points out that this is an inevitable fallout of globalisation. Recently, the well-known Ray-Ban sunglasses, an American brand, was bought out by Belluno-based Luxottica. Benetton and the Fiat group have also been acquiring US companies to grow in their core businesses. These acquisitions have been heralded in the media with much fanfare. Presently, however, the nation laments the loss of its *cosa nostra* (our thing) — the Vespa.

• MEERA SHENOY in Italy

The UK's biggest Internet service provider, Freeserve's first results have failed to reassure the market even though they were largely expected. A pre-tax loss of £8.8 million in combination with a debate over Internet valuations was disheartening news for the market and Freeserve's shares fell by 8 per cent. The dismal results have only cast a further pall of

free serve

gloom over the UK Internet market. CEO John Pluthero has placed the blame for the decline in share prices on technical factors. Current figures show that there are 1.4 million Freeserve users with a further 78,000 registering by September end. Despite its dismal showing the company is now all set to establish its high-speed Internet service using British Telecommunications' asymmetric digital subscriber line (ADSL) technology that will enable Freeserve users to have unlimited Net access as well dual use of their telephone line for a flat monthly fee.

• Japanese video game addicts have speculative times ahead as a result of the latest joint venture between Sega Enterprises and Nomura Securities. The JV is to allow owners of Sega's Dreamcast electronic consoles to trade stocks online. Japan's equity commissions have recently been fully liberalised and Nomura, the country's biggest broking firm, is setting the ball rolling in the online broking sector. Sega's plans will

NOMURA

intensify competition in the games industry. The service is the first instance of an online trading service being available through a videogame console. Sega reports that Japan has 1.4 million Dreamcast video games console users with 420,000 already in a position to access the Internet using the console. The company now expects to increase sales of the Dreamcast console after the launch of its online service. Sega also has a tie-up with Toyota which allows the carmaker's dealers to sell Dreamcast consoles with special access to Toyota's Internet page. The online services are expected to generate the bulk of Sega's revenues within five years.

• Microsoft intends to offer its popular desktop software for rent over the Internet, as early as the first quarter of the next year. The move is a response to a shift in the way the software industry sells its products right now. Many analysts see the future of computer software in the form of renting software over the Net instead of buying packaged software and running it on a personal computer. Previously reluctant to operate in this fashion, Microsoft's rival Sun Microsystems' plans to offer a competing range of software free on the Net have provided the impetus for this action. Analysts have long maintained that the market for software rented on the Net will expand rapidly. One estimate puts the demand at $11 billion by 2002, although some marketwatchers predict a figure twice its size.

• Mitsubishi Motors has been dealt a low blow by its European partner, Volvo Cars. This Ford subsidiary has rejected Mitsubishi's offer to continue building cars together in the Netherlands. Volvo Cars, which was acquired by Ford in April this year, has informed the Japanese carmaker that it would not be extending its shared manufacturing platform when it expires in 2004. Mitsubishi and Volvo own equal shares in a company called NedCar and the majority of Mitsubishi's passenger cars are produced at NedCar. Mitsubishi has been struggling to restructure itself amidst dismal Japanese car sales. NedCar, which built nearly 243,000 vehicles last year, also produces the Mitsubishi Carisma sedan on the same platform as the Volvo S40 and V40 models. Marketwatchers say it will need now to find a new partner, use its plant at half capacity, or buy out Volvo's 50 per cent stake. Mitsubishi already faces huge liabilities to the tune of $16.7 billion and now maybe forced to align with a foreign carmaker, a move the Japanese carmaker has resisted so far.

• Tyre and cable group Pirelli has launched a $2.3-billion bid for leading Italian property investment company Unim. The 'friendly' bid is being fronted by Pirelli's wholly-owned property investment subsidiary Milano Centrale. Unim, a newly established



company, comprises the extensive property assets of Rome-based insurance company INA. Pirelli officials also confirmed that the company intends to bid for other Italian property investments which include all the property assets of Italian oil group Eni. The bid for Unim, if successful, will make Pirelli Italy's leading property investment group. The tyre giant had started building up its property investment and services business early this decade with the redevelopment of an old industrial area in Milan, where its tyre company is headquarted.

• Amazon.com's share price jumped up 23 per cent last week when it revealed its new plans. The Internet bookseller intends to act a storefront for a variety of other online retailers. Amazon.com announced that it would make its site available to other online retailers for a certain fee and a percentage of their sales. The new service titled zShops is to enhance Amazon's current inventory by at least half a million new products. Amazon is to charge other online retailers 2–5 per cent of their sales and a monthly fee of $9.99, and the bookseller also intends generating fees by guaranteeing payments to merchants. The merchants using Amazon will also pay an additional 60¢ for every transaction and 4.75 per cent of the price of the product sold. •

WORD COUNT

"It would be incredible if 1999 could be remembered not for the destruction of two countries – Kosovo and East Timor – but for rebuilding 50 of the poorest nations on earth."

BONO, lead singer of Irish band U2, on the cancellation of Third World debts by developed nations to mark the millennium, in NEWSWEEK

"It's too early to talk about oil."

Respected East Timorese economist JOÃO MARIANO DE SOUSA, about whether East Timor is likely to inherit the country's offshore oil and gas fields currently comanaged by Australia and Indonesia, in BUSINESSWEEK

"Mel seduced me. I was originally skeptical, but as I began to see the enormous fit of the assets of both companies, he began to turn me on. This guy is a master salesman."

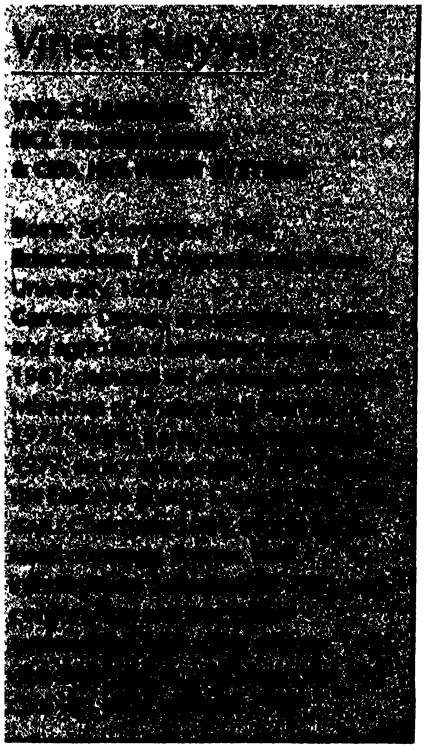
SUMNER REDSTONE, Viacom's 76-year-old CEO, about how CBS chief Mel Karmazin talked him into merging Viacom with CBS, in FORTUNE

Meeting his targets

For someone who has spent the better part of his career in the public sector and who finds public policy the "biggest turn-on", the switch to the private sector should be a tough decision. But not for Vineet Nayyar. "I wanted to have no illusions left in life," says Nayyar, who joined the HCL group in 1995. At that time HCL had a number of small companies within the group like HCL Corporation (the holding company) and HCL Office Automation (which made computers). "We did a mid-course correction and synergised all these companies to come up with HCL Technologies. Group chairman Shiv Nadar saw the changing world and realised that the future in India was in the services sector. Moreover, there is also more money to be made here," he adds.



Today, as vice-chairman of HCL Technologies, Nayyar is the driving force behind the $230-million (the figure includes revenues from joint ventures HCL Perot Systems and Intelicent) company's multi-pronged activities like technology development, professional, and networking services. And as if all this weren't enough, Nayyar is already training his eyes on another fast-developing area in the technology development sector — embedded technology. "All machines are becoming smarter. For this they require embedded software. We have married our expertise in hardware with the desire to go into software. This is one area we are going to push," he says.



His enthusiasm is fast catching up with the rest of the staff as well. C.P. Gurnani, executive vice-president of HCL Perot Systems, says: "Vineet has a collaborative style of working. I have gone far in my personal development because of his participative style of management and the open way in which he shares his plans and visions."

Nayyar has a simple explanation for his clear thinking and precise goals: work on one target at a time. He says this is something he has done ever since he became district collector of Karnal after clearing his civil services examination. The district was considered the most backward in agriculture, but with a graduation in the subject Nayyar knew he could change things. He came up with one target: double the number of tubewells in the district. "Look at the state today. Ninety per cent of the surplus it produces is distributed to the rest of the country," says Nayyar.

According to Nayyar, what has also helped him is the fact that he has been at the right place at the right time. When he came up with his revolutionary ideas in Haryana, the country was going through an agriculture crisis and when he was asked to move to the Centre in 1972 there was an oil crisis. "I knew nothing about oil and when the finance minister told me that I would be working in the field I thought he was talking about edible oil," says Nayyar with a laugh. But it didn't take him long to figure out that the minister was referring to crude oil, the prices of which were skyrocketing in the international market and it was Nayyar's task, along with the chairman of IndianOil, to negotiate with countries like Iran, Iraq, and Saudi Arabia.

This stint opened a number of more exciting opportunities for Nayyar, the most significant of which was at the World Bank. "The Bank was coming up with a department of oil and gas especially for economies like ours and they invited a senior economist from India," he says. Nayyar, who filled the post, first worked as a junior economist and eventually moved up to head the energy department for East Asia. "China had just opened its doors to the World Bank and the first energy mission was being sent to the country. I had 20 people in the group and it was something of a feat because it was headed by an Indian," he says.

Even though he was enjoying working on projects in the power, oil, and coal sectors in China and other areas in Asia, he came back to India when he got a call from the cabinet secretary. He was given three options, of which he

selected chairmanship of the Gas Authority of India because he found the task of working on the biggest public sector project of building the 2,000-km-long HBJ pipeline in 10 months "highly challenging". "This was the most fascinating experience of my career," says Nayyar who gave up his "highly-paying job" at the World Bank to return to India, against the advice of friends. "Everybody was sure that I could not complete the project in 10 months because it was not practically possible."

Well, he did complete the project, not in 10 months but 11 — not bad going. "There was a lot at stake with this project," he says. But he was so confident that he told prime minister Rajiv Gandhi that the pipeline would be ready before the fertiliser plants came up. "Everybody keeps talking about the efficiency of the private sector, but the only fertiliser plant that came up on time was the one by Fertiliser India."

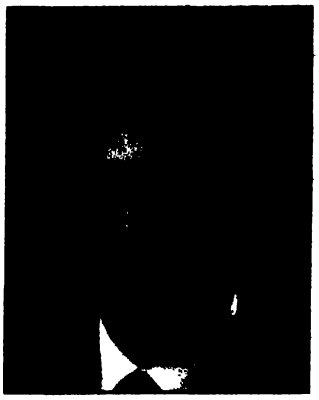
According to Nayyar the public sector in India is highly efficient but lacks the right leadership. "There are isolated pockets of good management. But what is lacking is good leadership," he says. However, rather than add another pocket of efficiency to the Indian public system, he decided to move back to the World Bank in 1991. There he spent the next five years working on projects including reforms at the central banks of South Korea and the Philippines. "The effectiveness of working on such a large scale depends entirely on how seriously the other person takes you. In India, on the other hand, the sense of involvement is a lot more," says he.

It was this reason, coupled with personal reasons – his wife, also an IAS officer, had not accompanied him on his second stint at the World Bank and his three children had grown up – that prompted Nayyar to leave the World Bank and return to India to work with HCL. "My life has been a cross-section of experiences and I wanted to add the private sector to it to complete the picture," he says with a satisfied smile. As HCL Technologies readies itself for an IPO, Nayyar confronts a test of a different kind.

› PUNAM THAKUR

FRONTRUNNERS

An unlikely director

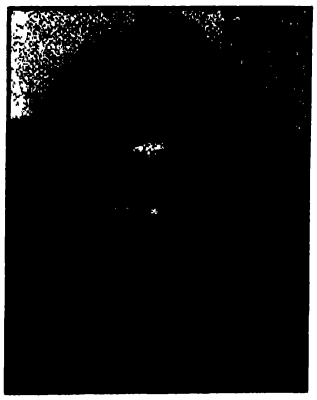


Three months into his assignment as director and country manager for the cables and components sector of Alcatel in India, 31-year-old Anil Mehndiratta still can't get over the way he was selected. Mehndiratta was one of 17 people interviewed by Alcatel and for the final interview he was sent to Paris, where he was grilled by 11 people over three days. "The worst three days of my life," he admits. His mandate: ensure that this division becomes as well known as the telecom division of Alcatel.

Mehndiratta is used to challenges like this one. An electrical engineer from Pune, he started his career at Grasim Industries as assistant instrument manager. After his MBA (in marketing from Indore), he worked on linking the company's offices all over the country. "Don't forget that that was a time when there was no e-mail or Internet," he says.

Mehndiratta left the company in 1993 for personal reasons. On a flight to Delhi, he was offered a job by the chairman of the Indore-based Ruchi group. His responsibility there was acquiring telecom licences for the group, whose strengths so far had been in soya and steel. From Ruchi to Qualcomm India, where Mehndiratta worked in business development and sales & marketing was a natural step. "When I did my engineering 10 years ago I never imagined that I would one day head a company," he says. "It's a great thing for a boy from a lower middle class background who grew up in the small town of Nagda." And perhaps it is because of this background that he ensures, when he travels across the globe, that he goes with his entire family — mother, wife, and five-year-old son. "That's the way I want it," he beams.

• PUNAM THAKUR



Made for marketing

Meet Sabina Saksena, the 34-year-old CEO of Taj Services Ltd (TSL) and Taj Trade and Transport Company Ltd (TTT). A national-level swimming champ in her school days, Saksena never tires of testing new waters. But there's one thing she wants constant — that she has a hard core marketing role, whatever the industry may be.

Saksena began her career as an executive assistant to Xerxes Desai of Titan, after a course in business management. She followed this up with stints at Lakmé, where she worked in the international marketing division, Tata Infotech, and Tata Industries. In January 1998 she took up her biggest challenge: as CEO of TSL and TTT she had to bring back business focus to the two firms. This involved getting rid of businesses that were not directly related to the parent's business, setting up an efficient retailing and marketing network, and building a good team. Despite dipping occupancy rates, the two firms together managed a turover of Rs45–50 crore this year compared to Rs40 crore before she took over.

On the anvil are an expansion of the Khazana boutiques, which are currently run only at 10 Taj properties. "We'll add two more this year and three more in the next two years," she says confidently. "I call these two firms Taj Plus. Worldwide, customers spend 50 per cent of their travel expenditure on services other than room and F&B." And where does she go from here? "The Tata group and I make a perfect fit," says the lady, who loves releasing her work-related tensions by spending time with her five-year-old daughter.

• SANGEETA MENON

Chip chaps

Changes are afoot at the Indian office of chipmaker Intel Corporation. Bangalore-based South Asia director Atul Vijaykar, who is in effect country manager here, is on the last lap of his present assignment. By early next year, when he completes his five-year stint, the well-regarded Vijaykar will be heading back to Intel's Santa Clara headquarters.

Vijaykar, 45, an alumnus of IIT Mumbai, has spent his entire career at Intel. He joined the finance department in 1980 after acquiring an MBA at the University of California,



Vijaykar: back to base

Berkeley. In the course of his various assignments he worked closely with Craig Barrett, Intel's current president and CEO, when the latter was running a manufacturing facility at Phoenix, Arizona.

To Vijaykar goes the credit of building the $30-billion corporation's franchise in India, or as he calls it, "playing the role of evangelist". Intel's developmental activities run the gamut from big-buck advertising to setting up cyberschools and introducing the hugely effective Genuine Intel Dealer scheme, all of which has added up to a 90 per cent market share. Up next is an engineering development centre and perhaps a data centre, both of which fit into Intel's vision of itself beyond microprocessors, as a supplier of building blocks for the Internet economy.

Vijaykar is passing the baton to Avtar Saini, another hardcore Intel man who has spent some 16 years with the company. Saini has already relocated to Bangalore from Folsom, near Sacramento, where he was general manager of the chipsets division.

Just-in-time service

We've all heard of placement services, right? Now there's a new service on the market: outplacement. "Basically, placement is about finding people for jobs. Outplacement, in its most simplistic definition, is finding jobs for people," says Sunit Mehra, senior partner, Horton India. Last month Horton set up a separate division – Omni Outplacement – for this. Mehra claims it is a first in the country, modelled on the lines of international outplacement firms like Drake Beam Morin.

The concept arrives not a day too soon, considering the downsizing trend sweeping through certain industries. Executives handed the pink slip are left to fend for themselves. Now they, or their company, can tap an outplacement firm. Omni's services are not hugely expensive. The firm charges Rs15,000 for building the personal profile of the candidate. "We work in the interest of the candidate," explains Mehra. "Our attempt is to package an individual's capabilities and skills into a highly marketable format." This runs the gamut from preparing a résumé to helping improve interview skills. Once the job comes through, the standard fee of two months' salary shared equally between the prospective employer and candidate kicks in.

Express exit

The churning at the new-look Vivek-Goenka-owned Indian Express group continues. Ever since K. Digvijay Singh, formerly of Hindustan Lever and Zee, took over as CEO, changes have been afoot as old turfs get demolished and new power equations build up. The latest man to bow out is Santosh Goenka, Vivek's cousin. Santosh, 36, used to run the publications division, which publishes a dozen-odd niche magazines like *Express Computing* and *Pharma Pulse*. Significantly, while the group has been ramping up losses, this division has consistently been turning in profits. The new head is likely to be Vineet Chibber, executive vice-president (publishing and administration).

There are rumours that Santosh's exit followed a run-in with Singh, and in private Santosh has admitted that he no longer felt that he fitted in to the new regime. Reputed to be a doer, he is believed to be setting up his own publishing empire under the name and style of Strategic Press. Apparently he's in the process of roping in investors to contribute the initial capital of Rs15 crore. No prizes for guessing that this publishing business will also focus on niche areas where Santosh has built his network. Now it remains to be soon how many editorial folk, who have always been generously paid, follow him out of the BPD.

Chemical reaction

The writing was on the wall ever since Debu Bhattacharya, head of Hindustan Lever's chemicals business, put in his papers and joined the Aditya Birla group. Chemicals is a low-priority area for Lever, which has sold it to ICI globally and in India has been in an endless search for a strategic partner. The uncertainty has taken toll of the ranks. The latest to go is Shiva Gulvady, who used to head manufacturing at Lever's Taloja factory. He's joined Owens Corning as head of operations.

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Opening Address and Welcome -
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Speakers :
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Mr. Ashok Wadhwa, Managing Director, Ambit Corporate Finance Pte. Ltd.
Mr. Ganesh Natrajan, Managing Director, Aptech Limited
Dr. Rajan Saxena, Director, Indian Institute of Management, Indore
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THEME SEMINAR
Day 2 : October 15, 1999 (Friday) 9.30 AM

Session 1 : Investing for the new Millenium - Opportunities & Perspectives
Speaker : Mr. Ajay Srinivasan, Managing Director, Prudential ICICI
Session 2 : Obtaining a Sustainable Advantage
Speaker : Dr. Reena Ramachandran, Chairman & Managing Director, Hindustan Oil Corporation Ltd.
Session 3 : Global Strategies
Speaker : Mr. Sridar A. Iyengar, Chairman & Chief Executive, KPMG Peat Marwick
Session 4 : Scenario Planning - Competitive Foresight Scenario
Speaker : Mr. Shailesh Haribhakti, Sr. Partner, Haribhakti and Co. (Chartered Accountants)
Session 5 : Structuring Strategic Decisions
Speaker : Mr. Neeraj Bhargava, Principal Consultant, Mckinsey & Company
Mr. Raj Nair, Chairman, Business Consulting Group
Panel Discussion :
Theme : Challenges in implementing a strategy
Panelist :
Mr. S. K. Jain, Executive Chairman, Petroleum India International
Mr. Hemant Misra, Managing Director, The Indian Seamless Metal Tubes Ltd.
Mr. S. Ananthanarayanan, Executive Director, Amco Batteries Ltd.
Mr. P. Eswaradas, Executive Director, Amrutanjan Ltd.
Mr. Baru Rao, C.O.O., Syntel Software
Mr. Ameer Ismail, President, Lin Opinion - A Public Relation Division of A. P. Lintas
Mr. Harish Bijoor, Vice President, Consolidated Coffee Ltd.

PRESENTS

FN : Strategy Moghuls (Cases in Strategic Management)
Day 3 : October 16, 1999 (Saturday)
Modi Corp - Mr. Deepak Mohta
Clariant India Ltd. - Mr. P. R. Rastogi
L. G. Electronics Ltd. -
Mr. Rajeev Karwal
Kotak Mahindra Finance Ltd. - Kamlesh Rao
• Corporate Governance & business Strategies
Mr. N. Vittal - Central Vigilance Commissioner
• Strategic Branding as a Sustainable Competitive Advantage
Mr. Jagdeep Kapoor - Managing Director, Samsika Marketing Consultants

SANSUI

PRESENTS

AN : Strategy Warriors (Technical Session on Strategic Management) In style of Question & Answers
Discussion Points :
• Structure follows strategy in Organisation
• The Future of change - The transformation company
• Strategy & Business Environment
Experts :
Mr. Arun Arora, Chief Executive, The Economic Times
Mr. Jay Desai, Chief Executive, Universal Consulting
Mr. B. V. Venkatesh, President & Chief Executive Officer, BFL Software Ltd.
Mr. Manish Modi, Managing Director, Net Across Communications Ltd.
Mr. Dilip Shevde, Managing Director, U. B. Engineering
Mr. S. K. Palekar - Vice President Marketing, Eureka Forbes
Mr. Ashis Bhisey - Sr. Principal Consultant, IBM Global Services India
Mr. Kabir Mulchandani, Managing Director, Baron International Ltd.
Dr. Jayesh Vaidya, Director Mktg., Discovery Communication India
Mr. Probir Roy, COO, Euro RSCG Interactive *Confirmation awaited

Day 4 : October 17, 1999 (Sunday)
Corporate Check Mate (CEOs Round Table Conference on Strategic Management)
Theme :
Strategic Imperative for improving bottom-line in the next millenium-Ideas & opportunities.
Mr. K. K. Nohria - Chairman & Managing Director, Crompton Greaves Ltd.
Mr. N. Gupta - Director - Marketing & Sales, Videocon International Ltd.
Mr. Harish Mehta - Managing Director, Onward Novell Ltd.
Mr. Shishi Ullal - President & Managing Director, Hughes Escorts Communications Ltd.
Dr. Lalit S. Kanodia - Chairman, Datamatics Ltd.
Mr. Ganesh Natrajan - Managing Director, Aptech Limited
Mr. Paul Wilkinson - Managing Director, Geetetner (India) Ltd.
Mr. Deweng Mehta - President, NASSCOM
Mr. Kiran Deshpande - CEO, Mahindra British Telecom
Mr. R. K. Saboo - Dy. Managing Director, First Flight Couriers
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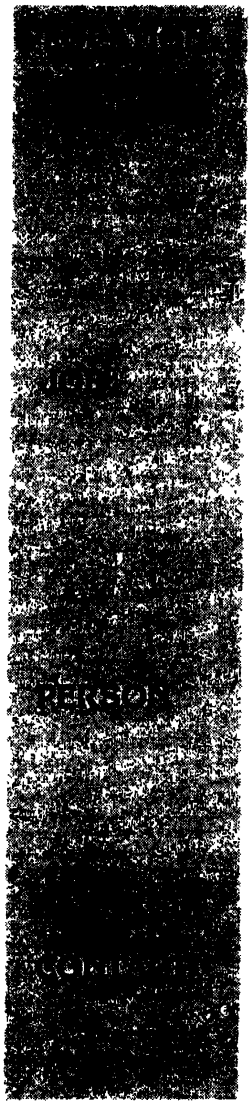
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The art of deception



Lala Amarnath's words reverberate through this writer's memory : "You have to reach the pitch of the ball while playing spin bowling. You cannot be crease bound. Subcontinental batsmen are most adept at playing spin because they possess nimble footwork." It has been most heartening to see Indian spinners — Nikhil Chopra and Sunil Joshi — use the wiles and guile made famous by their illustrious predecessors such as Bishen Bedi, Erapalli Prasanna, Srinivasan Venkataraghavan and Bhagwat Chandrashekhar. Luring batsmen to their doom with flight, loop and variations. Making them walk the gangplank, teasing and tantalising. By bowling India to victory in Toronto and Nairobi, Chopra and Joshi have shown that Indian spin is alive and kicking. Dravid at slip and Jadeja at silly point taking sharp catches reminded one of Indian spin's halycon days. What was pertinent was that all this was happening in limited overs matches.

Over the years, since the decline of the quartet mentioned above, the cupboard has been a trifle bare. The reason was the emphasis on pace bowling, a craft perfected by Kapil Dev and utilised to the hilt by Sunil Gavaskar. While Gavaskar as captain used veteran left arm spinner Dilip Doshi and off-spinner Shivlal Yadav to bamboozle the hapless Kim Hughes-led Australians, it was the three-pronged pace attack, a hitherto unknown concept, which demoralised Pakistan in the fabled grudge match of the 1979 season double-header. Kapil Dev riding in harness with Karsan Ghavri and tyro Roger Binny brutalised the psyche of Zaheer Abbas and company. It was a revelation for most Indian spectators to see swing and seam winning matches for the nation. Remember that in the past both Mansur Ali Khan Pataudi and Sunil Gavaskar had opened the Indian bowling. And the joke doing the rounds in that era was that India opened with *khadi* pace.



Warne has been a match-winner for the Aussies more than once

With the accent shifting to pace bowling and the great Kapil Dev dominating the show for years, the youth decided to use him as a role model. The emergence of the MRF Pace Academy in Chennai obviously acted as a booster in this regard. However, over the last 20 years, spinners have appeared and disappeared rapidly on the Indian firmament, even fashioning spectacular triumphs in the process. Lakshman Sivaramakrishnan, Arshad Ayub, Venkatapathy Raju, Narendra Hirwani *et al* could never manage longevity. Only the unconventional leg spinner Anil Kumble has managed to keep his head above water, winning matches for his country with his unorthodoxy. Not the quintessential leg spinner like Subhash Gupte or even Siva, Kumble's forte, like Chandra's in the past, has been a deceptive action, quick through the air, using underprepared surfaces with devastating effect. Like a rattlesnake, making the ball hiss and bite as it unleashes its venom on the stranded batsman, defeated as he is by the pace and bounce.

Kumble succeeded where others failed because even with his limited repertoire, he was constantly innovating, trying to bowl slower through the

air, trying to get the leg break going. He remains a thinking bowler, not afraid to experiment. But unfortunately for him, he was caught and thought out by the South Africans who realised that he should be played as a regular inswing bowler. On treacherous wickets, he has always proved to be a handful — ask the touring Englishmen or the Australians more recently. A rhythm bowler, Kumble has of late been struggling with his line and length, directing his line of attack too much on the batsman's legs. Actually more than the South Africans who thought him out, the battering at the hands of Pakistan opener Saeed Anwar in the Independence Cup game at Chennai hit his psyche. Since then, the unthinkable has happened — Kumble has been dropped from the team twice in the last couple of years. That the first time he returned to devastate the Aussies is a tribute to his mental strength and practice.

India is once again playing at home, there are five Tests slated against the visiting New Zealand and South African teams this winter. In between, India will be visiting Australia for the first time in a decade for what has been billed as the millennium series. At home, India has to play to its strength, which is create underprepared wickets aiding and abetting spin. As such, both Joshi and Chopra in tandem with the ever dangerous (at home) Kumble will be the perfect Molotov cocktail for the visitors. One remembers how Kumble, Venkatapathy Raju and Rajesh Chauhan spun a web around English batsmen at the turn of the 1990s.

Killing them, softly

Remember that India has not lost a Test series at home since Imran Khan's team won here in 1986. It is a record which India will try to keep intact. Chopra, who bowls a flatter trajectory due to which he has succeeded in limited overs cricket, will have to make the transition to the longer version of the game. However, he will be competing with Harbhajan Singh for a place in the side. The real revelation has been Karnataka left arm spinner Sunil Joshi who has been in and out of the side for sometime now. After spending time (close to three weeks) with that master of left arm bowling, Bishen Singh Bedi, during the summer, Joshi seems to have added more tricks to his armoury. He is more relaxed in his run up, his head is very still at the point of delivery and most importantly, his loop is near perfect with the arm action high. Bring the batsman forward, make him play and then defeat him with your variation.



Despite his limited repertoire, Kumble has impressed with his constant innovation

Joshi is 30, but he can still be a match-winner, he needs to be persevered with. Russian roulette should not be played with his career at this juncture. Between Kumble and Joshi (and, of course, wickets which turn after lunch on the first day), India has every opportunity to vanquish the Kiwis, buoyant after a series win over England. Spinners, like fast bowlers, hunt in pairs and troikas, and India has a rich history and tradition of this beguiling craft — from Vinoo Mankad to Subhash Gupte to Ghulam Ahmed to the deadly quartet to Kumble and his partners.

Tiger Pataudi as captain gave the foursome of Bedi, Chandra, Venkat and Pras their heads. He realised how effective they could be together and provided men with sharp reflexes around the bat to pouch anything off the bat or bat-pad. And it began to work. His successor, Ajit Wadekar, enjoyed the fruits of a system put in place by Tiger when he won three Test series back to back. Somewhere along the line, pace emerged as a more suitable weapon and that is where everything got blurred. After all, India needed to win matches abroad as well. With the emergence of Javagal Srinath and Venkatesh Prasad, India found somebody to retaliate with. Both have won matches for us, following in the plimsolls of Kapil Dev and Manoj Prabhakar.

But spin will win you matches. Look around you — Muttiah Murlitharan, Saqlain Mushtaq, Shane Warne are some of the match-winning bowlers. This is India's core competence which mirrors our profile, and we should excel in it.

Pace can be handled in the contemporary era, for the batsman is well protected. Spin with all its variations has a mysterious air about it. It is all about deception. The art, mercifully, is flourishing across the cricket playing world, even the Kiwis have Daniel Vettori, so why should India be left behind? After all, isn't spin India's version of the magical mystery tour for the unsuspecting tourist?

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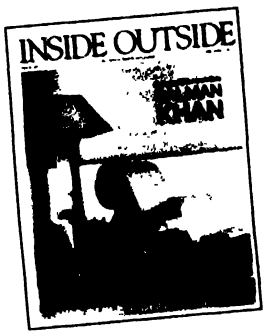
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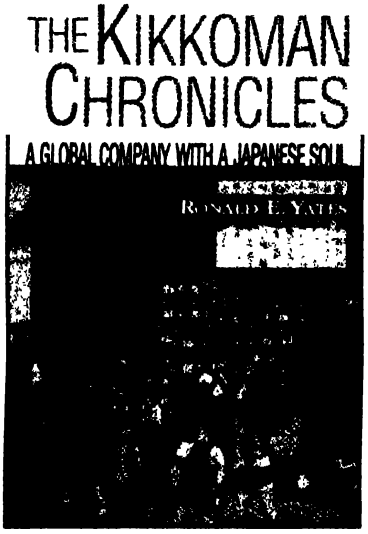
A Global Company With
a Japanese Soul
Ronald E. Yates
McGraw Hill
206 pp

When you think Japanese these days, you will almost always think small, as in miniaturised. When the Japanese make small things, they make them big. This book is about a company that has made a seriously big thing out of small bottles of soy sauce. From a beginning in straightforward soy sauce 360 years ago, the company is now a global brewing and biotechnology leader with about $2 billion in annual sales. After around 300 years of being a purely Japan-centric business, it now has plants in the US and Europe, making both soy sauce and crucial biotech products.

Kikkoman soy sauce bottles are found in 25 per cent of US restaurants and half the supermarkets in that country. It is as ubiquitous the world over as, say, *sambhar* is in south India. Its lead product is clearly differentiated from the competition: it is a pure, naturally brewed sauce made from soya and wheat. Kikkoman has successfully taken a traditional process and applied technology to shorten the production cycle without using artificial additives or changing the finished product in any way. As a result, it has remained price-competitive against chemically modified sauces.

However, merely making the best soy sauce in the world shouldn't and wouldn't qualify a company to have an independently written book published; indeed, had that been the case, this book wouldn't have been written at all. Yates first encountered Kikkoman while eating Chinese food in Boston in 1963. The restaurant owner, a first generation Nationalist refugee, taught him that Asian palates were trained to appreciate subtle flavouring. Later, posted as a correspondent in Tokyo, Yates was to learn more about Japanese food and its tightly-knit relationship with soy sauce. He acquired a taste for the food, and developing an interest in the company whose products were always found in good restaurants (and in all Japanese homes), soon found that the company was one of Japan's earliest multinationals.

Kikkoman was the first Japanese company to set up manufacturing facilities in the US. In fact, since the plant, which opened in Walworth, Wisconsin in the middle of 1972, was designed from the beginning to use local materials (soya and wheat), it was a truly local operation for this globally selling company.



Kikkoman soy sauce bottles are found in 25 per cent of US restaurants and half the supermarkets in that country. It is as ubiquitous the world over as, say, sambhar *is in south India. Its lead product is clearly differentiated from the competition: it is a pure, naturally brewed sauce made from soya and wheat*

As Yates notes, it was not just raw materials that Kikkoman localised. The plant initially hired only junior staff locally, bringing managers from Japan to run the plant, but quickly reduced its dependency on expatriates as it learned the advantages of teaching local Americans to respect their 360-year-old traditions, while focusing on locally accepted trading and hiring practices. The US operations were championed by a member of the founding Mogi family, Yuzaburo Mogi, the current chief executive. He was the first Japanese to receive an MBA from Columbia University (New York). And he continues his internationalisation drive till today, so that non-Japanese sales of Kikkoman soy sauce account for 26 per cent of the company's $2 billion revenue, much of that made in its plants (two today) in the US and Europe (one in the Netherlands).

Mogi's ancestor, Shige Maki, who founded the business, was the widow of a *samurai* warrior who was killed in a historic battle at Osaka in 1615. Forced to flee with her children into hiding, she changed the family name to Mogi, and settled down in a small village, where she discovered the recipe of making soy sauce. Over the years, the group of descendants that continued the family tradition of making first-class sauce was able to gain a licence to brand it, the first such branded product in Japan. This involved some creative synthesis between the family groups that made various competing recipes at the time, yet the company's strong value-based management was able to overcome this hurdle.

Today, as the company spreads its wings beyond soy sauce into modern biotechnology and global production and research, it is able to skilfully blend the values of a 360-year-old tradition with the demands of a global business. Many of its senior executives are from outside the family; indeed, from outside the country. Yet the traditions of family still hold the company together in a velvet grip, even though the current product range has around

2,000 products. Growing from its original food products to making test reagents for complex micro-organisms and new varieties of genetically engineered fruits, Kikkoman has engineered an example of effective use of growth opportunities in an increasingly competitive and yet smaller world.

• VICKRAM CRISHNA

Demystifying management talk



THE POWER OF SIMPLICITY

Jack Trout with Steve Rivkin
Tata McGraw-Hill
205 pp

The only thing that may be reasonably found objectionable about this book is the fact that it takes 191 pages to explain in detail just how complicated most leading management consultants tend to make life.

There are 116 people (and consulting companies) named in this book, of which it can safely be estimated that Trout has explicitly denigrated about half (including all the consulting companies). The others are various chief executives and other such flotsam and jetsam whose actions may or may not support Trout's thesis: most management consultants and experts drown their advice in great gobs of jargon and complexity. This happens to such an extent that managers on the receiving end behave much like the emperor of the new clothes' story: they are too stunned to admit they haven't understood either the advice being given or how to go about implementing it.

Little wonder, feels Trout, that so many transformation projects do not deliver quantifiable results. Even competent managers feel intense peer pressure to endorse the consultant's advice, largely because they don't feel strong enough to challenge the verbiage. The book is written in the familiar no-nonsense style that Trout's readers will recognise. This is clear from the contents page onwards. The contents are laid out chapterwise, but each one is accompanied by a brief phrase that lays open precisely what Trout will explain within.

For instance, under the section on Leadership Issues, chapter 11 is titled *Mission statements. All they add is needless confusion.* Turn to page 85, the opening page of the chapter, and find a quote from John Rock, general manager of General Motors' Oldsmobile division, "A bunch of guys take off their ties and coats, go into a motel room for three days, and put a bunch of words on a piece of paper — and then go back to business as usual."

The chapter itself opens with a scathing criticism of Swedish automobile company Volvo, whose cars are well perceived for their safety. The Volvo mission statement is 130 words long, with 'safety' coming in just once at word number 126. The point of this being that a company that ought to focus on its strengths is busy fuzzying up the market instead, confusing perceptions of its leadership position in safety and attempting to make sports cars that won't sell.

According to Trout, US-based multinational P&G has trimmed its product line and brand promotion activities. In five years, its marketshare has gone up by one-third, and by five points in hair care alone, where the product line was cut in half. Leading business papers reported on 22 September that Unilever now plans to trim its product range by 1,500 items. Obviously, Trout is on to something. Something quite simple, really.

For someone fairly active on the lecture circuit (he has visited India at least twice), Trout pulls no punches while attacking other public speakers whose names will be very familiar — Tony Robbins, Stephen Covey and Deepak Chopra. He even quotes *The Economist* bureau chief Adrian Wooldridge on consultants like Robbins, "scalawags in the field". He concludes that personal improvement programmes can be very good for individuals, but this is a personal matter, and should not be done on company time or money.

While companies like NIIT in India do make company money available to executives on a case-by-case basis (monitored by both their seniors and the human resources department) for personal improvement programmes, Trout's point is that all kinds of faddish and expensive exercises are sometimes passed off as being designed to improve corporate efficiency levels. Consultants like Claus Moller, the Danish consultant whose advice helped British Airways and SAS to turn around from a decade of falling profits and business, also advise the personal aspect strongly.

However, like Trout, Moller's message is tightly focused on business.

Most management consultants and experts drown their advice in great gobs of jargon and complexity

Corporate quality is linked to personal quality, defined by Moller partly as being a sense of continuous improvement of responsibility and efficiency. Self-esteem, well-being, attitudes and behaviour all contribute to strengthening effectiveness. Wasting time on the golf course (at company expense, a favourite taunt for Moller) on the pretext of striking business deals is not the best way to improve one's self.

Trout closes the book on a discussion of success and how to achieve it. Perhaps surprisingly, he defines personal improvement in this context as finding the right horse to ride, and that isn't the personal horse. Rather it could be ideas, mentors, companies or family. These are rated in terms of likelihood of success. Ideas and products rate high, over hobbies (like Hugh Hefner's *Playboy* and Paul Prudhomme's foodie columns — in India we have Jiggs Kalra, who has reached country representative status in the same field) and companies (will your company even be around in 20 years? Safe choices of the late 1970s like the Tatas and Birlas look shaky today

compared to Johnny-come-latelies Wipro, Reliance and Infosys in India).

The best choice, in fact, is the *other-person*, according to Trout. For Paul Allen and Steve Ballmer, it was Bill Gates, not corporate advancement, at Microsoft. For chocolate leaders Mars, it's their grandfather, for Arthur Garfunkel, it was music partner Paul Simon. Whether the person is a mentor or a partner, finding the right person at the right time could be far better than all the *career planning* exercises of the big companies and their human resource departments. Ask Vijay Thadani at NIIT, and he'll eulogise on Rajendra Pawar; ask Pawar, and he'll talk about Shiv Nadar.

Ask Shiv Nadar? Ask Bill Gates? They have the wisdom to marry their personal drive with the collaborative work of many hundreds and thousands of associates. Trout concludes that "you don't find success inside yourself. You find success outside yourself." It's not easy. As Disraeli said, "How much easier it is to be critical than to be correct." Trout has the last word, "The best revenge over critics is being correct."

VIKRAM CRISHNA

Exports sans pains



A PROFESSIONAL GUIDE FOR EXPORTERS

K.S. Saluja
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The clarion call for a 20 per cent export growth in dollar terms remains a non-starter. Since the unshackling of the economy, successive Union commerce ministers have spoken about the increasing need for an outward-looking strategy. Sadly, 20 per cent appears to be a Utopian ideal. At this juncture, even half of that would be a refreshing change. In the first quarter of 1999-2000, the export growth logged was 6.5 per cent in dollar terms. Exporters have been consistently arguing for a softer rupee and external forces have seen India's currency depreciate, without any significant growth on the export front.

First-quarter figures raised some hopes that operation turnaround was underway, after close to three years of endless lethargy. But unfortunately, a sharp drop in July has once again pulled down the cumulative export growth position for the first four months to 4 per cent, dampening a sentiment which seemed to be on the revival path. This has once again

India's total exports form less than one per cent of international trade

thrown out of gear the commerce ministry's estimate of an 11 per cent growth this financial year. The country's exports, at $33.7 billion, declined 3.9 per cent in 1998-99.

What is the malaise affecting Indian exports? The Reserve Bank annual report clearly states that it is a lack of global competitiveness and absence of adequate diversification in the export basket. Add poor quality products and you have the three main reasons for India's abject performance on the export front. India has not managed to keep pace with the challenges on that front. The country's total exports form less than 1 per cent of international trade. Such shocking statistics calls for strategic imperatives and drastic measures from the new government which should be in place sometime later this month.

India remained a protected economy for years, keeping its doors shut to new technology and progress. When we did open our doors, we found ourselves grossly underprepared to the cutting edge of international development and competition. The result — India was branded a country with low-quality and low-priced products.

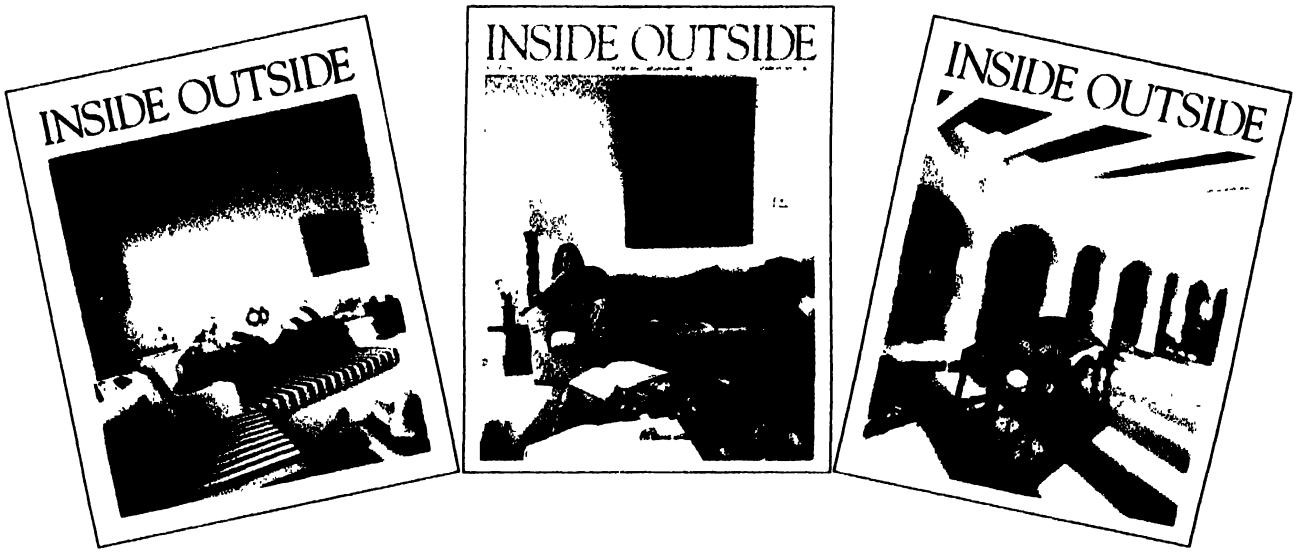
Controls on the economy were so overbearing that those attempting to explore international markets were hard pressed to meet their documentary obligations. The amount of paper work took the better of the exporter and efforts to market were blunted by documentary controls. However, things are being remedied. The government has taken steps to lower controls. For instance, only the other day, the commerce ministry said it was actively toying with the idea of modifying the duty entitlement pass book (DEPB) scheme to make it compliant with the World Trade Organisation regime. As a senior functionary in the commerce ministry said in Mumbai, "The DEPB in the current form does not show a nexus between the import of raw materials and export of finished goods, which is imperative as per WTO rules."

In this age of change, it is vital that an exporter understands all the nuances and obligations he has to comply with. The book under review provides exporters with information on all that they wanted to know about exports but didn't know whom to ask. A treasure-trove of information, the book covers documentary procedures for shipping, excise, octroi, claiming export incentives like advance licences, duty drawback and DEPB and many other important facts.

With a recent International Monetary Fund survey stating categorically that the new government should establish conditions for strong and sustainable economic growth over the medium term, exports will obviously play a key role in bolstering the economy. The book also examines two hot topics relating to doing business through the Net and electronic data interchange, which enables transfer of documents through the Internet. Moreover, it provides information on Indian embassies and high commissions overseas, as also details about the diplomatic corps in India.

The botttomline remains that India has to improve its export competitiveness if it wants to make a dent in global trade. India was not able to take advantage of the Southeast Asian crisis at all and it will now have to do all the running in this regard. And Saluja's book provides exporters with key insights into all these matters.

• SANDEEP BAMZAI



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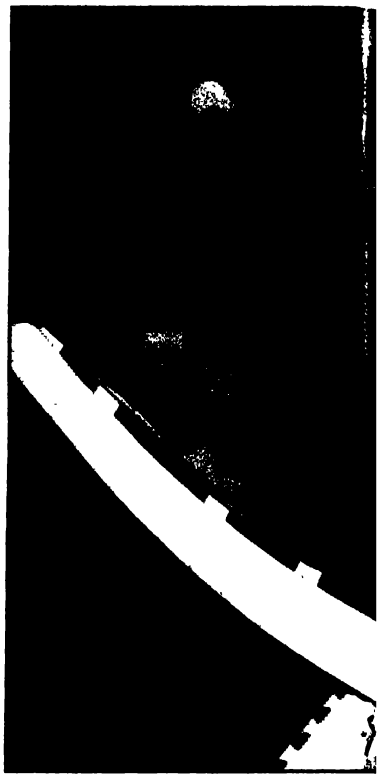
Mistress of spices



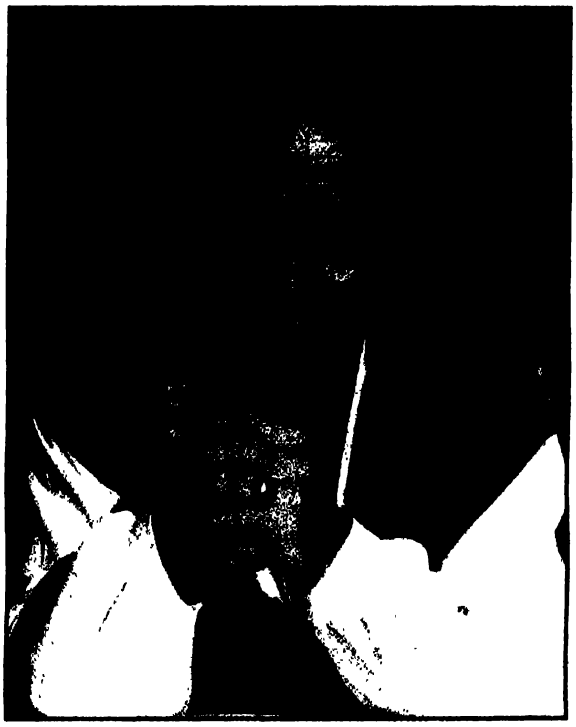
SORAB MEHTA

Retail is in. And with it the concept of the most unique shopping experience. That's the idea behind Cinnamon, a lifestyle store to be opened in Bangalore later this month. For Radhika Poddar, whose brainchild this is, Cinnamon is an expression of individual, yet striking, style. "At Cinnamon, we are trying to offer a complete shopping experience," says Poddar. "Besides it is the culmination of my long-standing interest in design, textiles and unusual jewellery," she adds. Cinnamon is housed in an old-style Madras house, amid tall trees instead of a concrete jungle. On offer is a mix of the old and new, women's fashion, sarees by weavers from Bengal, Bihar and AP in an effort to revive dying traditions, a jewellery collection comprising both antique pieces as well as unusual contemporary designs and home furnishings including metalware, glassware, stoneware, lamps and candles. Reputed Italian designer, Andrea Anastasio, has been roped in as well for his unique sense of design. Just like fine stores overseas, it will have a colour story for each season. To keep visits to the store interactive and educative, Poddar is planning to organise special shows to highlight different crafts from all over the country. Just the subtle spice to spruce up shopping. ◆

The sound of music



It was just one of those cases: one thing leads to another and hey, you have an ubharta sitara. This is exactly what happened to Vikas Kasliwal, director of the Rs700-crore SKumars group. With no formal training in singing or music, Kasliwal has launched his own debut album Jaane-jana. How did he manage to weasel out the time? Well, Kasliwal spent three hours a week over a three-month period. The fact that the album will soon hit the stores doesn't mean that Kasliwal is hoping to rake in the moolah. "It's just something that I wanted to do for a long time," he says of this Hindi-pop, romantic album. Moonlighting under the name K.Vikas, Kasliwal has gone the whole hog. The music score is by Vishal, the music director of Pyar Mein Kabhi Kabhi. Besides the cassette which will be launched in the next two weeks, he's also got a video soon to be aired on the music channels. Kasliwal's contribu-



PALASHRANJAN BHAUMICK



UMESH GOSWAMI

tions to the album include whistling and adding an aalap in the lead track. "Music must represent what you feel," he says. And uppermost on his list are family values and love. Now that sounds mushy for a moneymaker. •

Man with a mission

Canadian Georges Brossard is on a mission. He wants to reconcile humans with insects. After being a tax lawyer in Montreal for 25 years, he has taken up the cause of insects, be they bugs, beetles, scorpions, tarantulas and the like. Today his astounding collection includes 500,000 insects from 120 countries. But don't get him wrong, he likes people as well. Towards his mission of reconciling humans and insects he has set up insectariums. The first one in Montreal set up a decade ago is such a success — it attracts 600,000 paying visitors — that the governments of Australia and South Africa have asked him to set up insectariums in their countries as well. Now Brossard has gone a step further; he has made a documentary on insects, Insectia, and has sold it to 160 countries, also to the National Geographic. Naturally, Brossard is the mind behind the documentary; he has written it, acted in it and presented it as well. "I have put a lot of humour in it to make people understand insects. You'll love it," he says. •

Animal farm(er)



PALASHRANJAN BHAUMICK

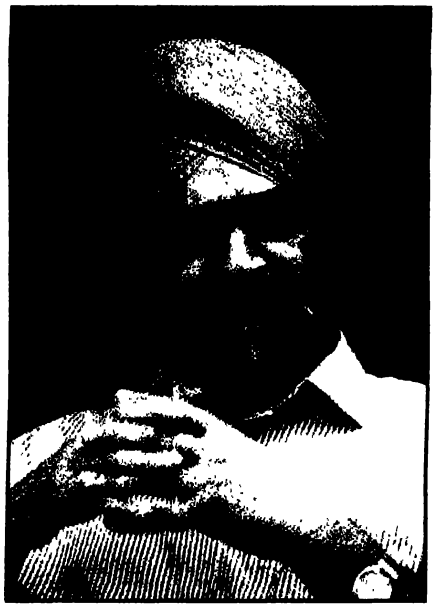
We've heard of horses and dogs being special animals. But a king cobra? Well, Romulus Whitaker, known more for his crocodile farm on the outskirts of Chennai, has started breeding the king cobra. "If one is interested in snakes, the macho thing to do is to go for the dangerous type," says Whitaker. There's more to that than just being macho — the king cobra behaves differently as compared to other snakes and it is intelligent. Besides, "I like the king cobra," he says.

Whitaker has liked snakes since the age of five and kept one while he lived in New York. Moving to 'snake land' with his family at the age of seven was a godsend. Now he is making a documentary, along with Janaki Lenin, a documentary film maker, on his favourite animal. Another documentary is to follow, on what he knows best, the mugger crocodile. According to him there are very few genuine crocodile films; "I guess I expect more from a crocodile film as I live with them," sighs Whitaker. •

"We're well placed in Y2K compliance"

Veteran economic policymaker **Montek S. Ahluwalia** has suddenly become the most recognisable face of the government's strategy against the Millennium Bug. Ahluwalia has been chairperson of the government's Y2K Action Force since 1998, but has come into the limelight in this role only as a result of the publicity blitz launched by his organisation recently. Perhaps no other bureaucrat of the Indian government has become the icon of a public programme as Ahluwalia has done. Talking to **Anupam Goswami** of *Business India*, Ahluwalia asserted that Y2K compliance in India could compare with the best in the world

Q *How okay is the Y2K action plan of the government at the moment?*
A I am reasonably satisfied with the work done till now. We have increased consciousness among all government departments about the impending deadline, and finalised action plans for the critical infrastructure sectors. Within each of the 11 critical infrastructure sectors identified, comprehensive action plans are in the process of being implemented. We have contingency plans for identification, isolation, and amelioration of any crisis. So overall we are quite okay.



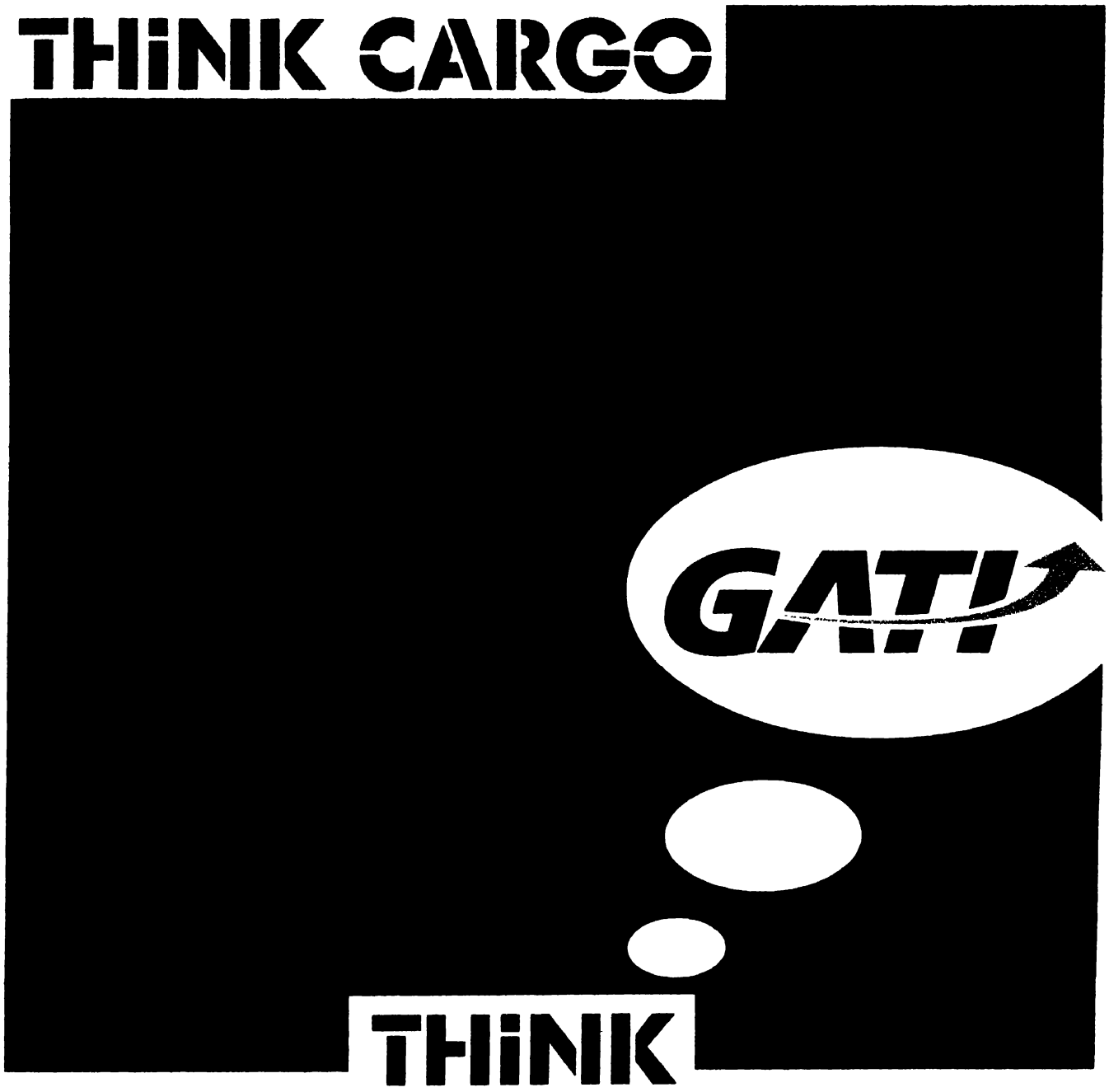
RAMESH PATHANIA

Q *But there is some sense that the Y2K Action Force may have been constituted too late, when the millennium bug problem is directly upon our heads?*
A Well, it is a specific deadline-related problem and its ameliorative action has to fall together in time for the particular date. So there is a sense of galvanised activity. But I would like to point out that the government's initiation of strategy to handle the Y2K problem began in 1997, when all departments were asked to take cognisance of the Y2K problem. Agencies like NIC and the Department of Electronics have been undertaking departmental monitoring and review since then. The Action Force was created in 1998 and has been operational continuously since then. Its primary responsibility has been to ensure that all the government departments as well as agencies concerned with the 11 key infrastructure areas respond to a monitoring-and-review system that would ensure that compliance is being carried out everywhere.

Q *Are there crisis areas, where ameliorative measures may be not up to the desired level?*
A Each of the 11 infrastructure areas are potential crisis areas; in case they do get affected there is potentially a very large problem. But all the departments related to these sectors are working towards full compliance, and have very well-developed contingency plans. The Action Force has ensured that there are several layers of back-up arrangements.

Q *Just last month, you sounded a warning shot on the fallibility of the power sector, in particular, on the Y2K count?*
A Yes I did, but not in any sense that the problem could not be handled. I was actually referring to the intricate functioning of the state electricity boards, and the complexity of our task there. But if you look at the broad figures, the picture is quite assuring. Out of the total 93,000 MW of installed generation capacity, 61,000 MW are not subject to computerised controls. Out of the remaining 32,000 MW, 92 per cent have satisfied full compliance norms. The rest will be secured by mid-October. This achievement compares very well with the international benchmarks at present.

Q *What are the capabilities of the state governments to handle Y2K-related problems? Could the Action Force or the Planning Commission undertake any special initiative to galvanise the state governments in this regard?*
A The NIC has a long and durable experience of working with computer-related logistics in the states and has done magnificent work. But I agree that implementation has its own complexities at the level of the states. I think the work of the Planning Commission has been particularly useful in this regard. The deputy chairman of the Planning Commission took the initiative by asking all the chief ministers to get them personally involved in the compliance activity. This set the stage for the cabinet secretary to similarly motivate the chief secretaries. Subsequently, the various departments of the Central government have monitored the compliance activity of their counterparts in the states. So, I think that India has been able to mount a comprehensive compliance programme. Of course, there could be gaps but our own review system and increased media attention to the problem will enable us plug these quite expeditiously. •



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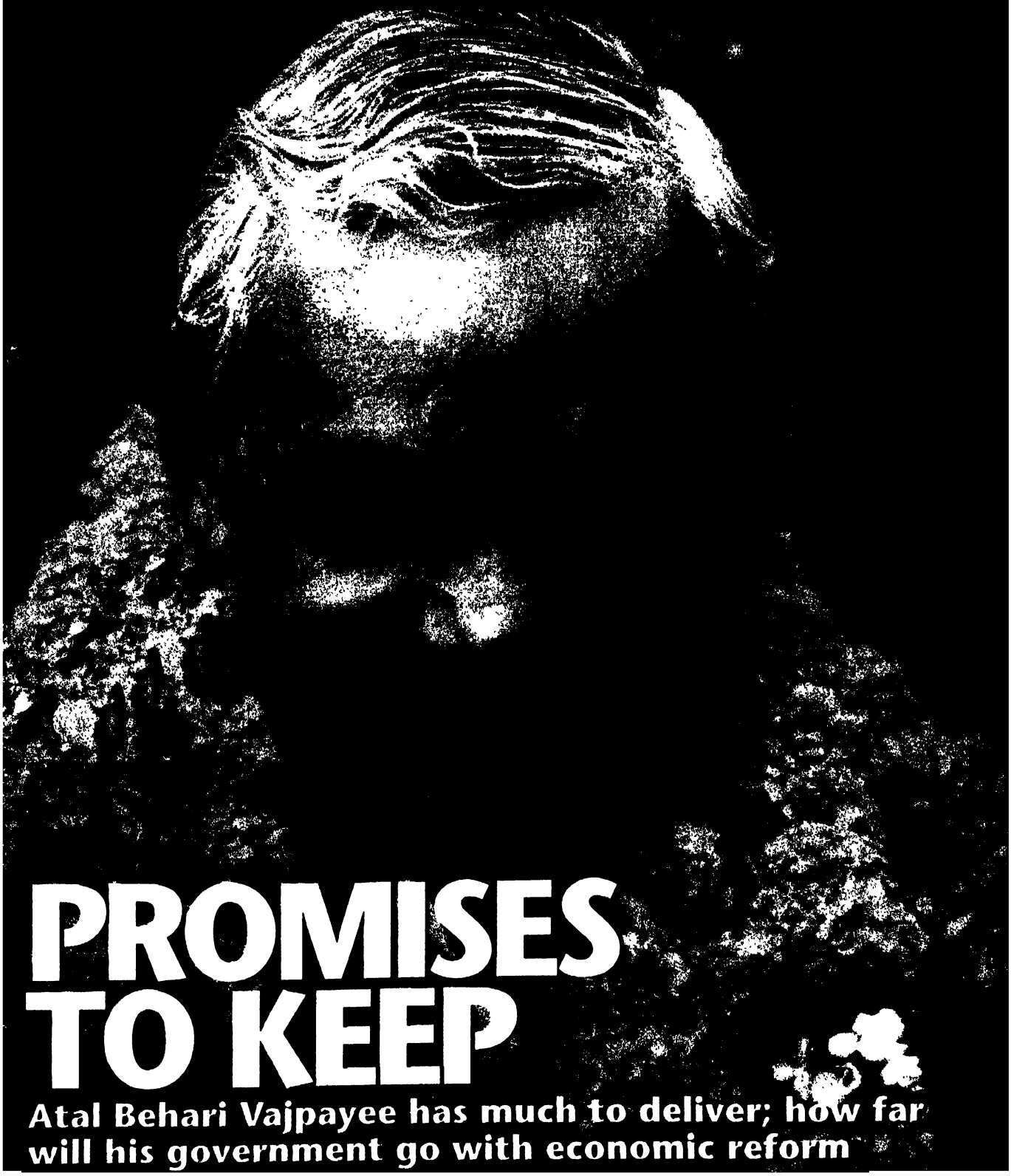
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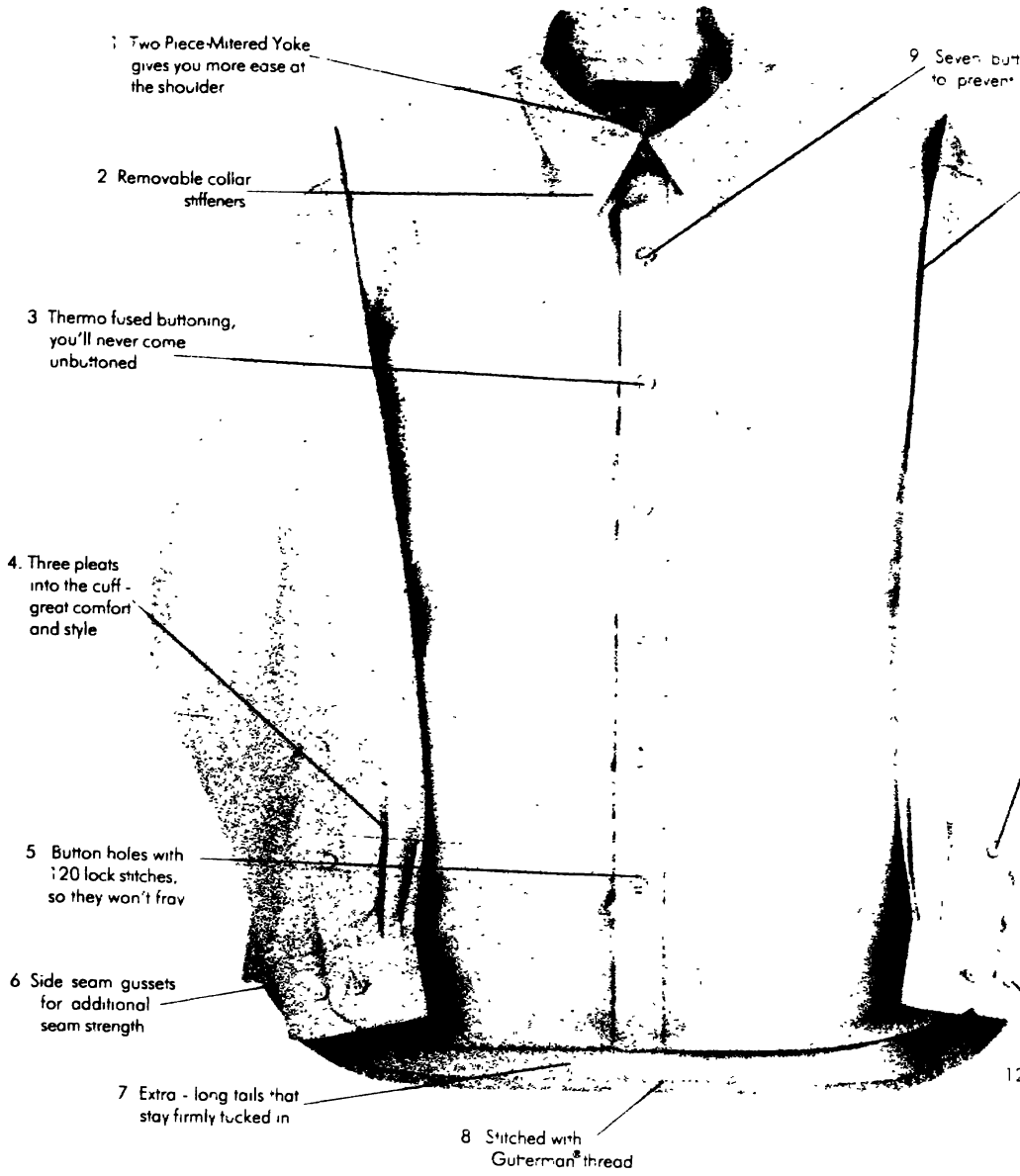
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Atal Behari Vajpayee has much to deliver; how far will his government go with economic reform

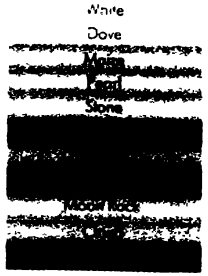
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Business India

The formation of the third Atal Behari Vajpayee-led government has clearly been very different from the two earlier efforts. This time, however, there is a general belief (and opinion polls too bear this out) that the government will last its full term. For the first time, economic issues have been dominating the day. No other government has ever put basic economic issues right up front.

Vajpayee has set three goals for his government on the economic front. First, is the need to get the government's fiscal house in order. The prime minister knows that hard decisions need to be taken and he is prepared to do so. Second, is to carry out programmes to meet the basic needs — water, roads, electricity — of the people. Lack of these amenities was an election issue in Lucknow, perhaps contributing to the large fall in Vajpayee's own victory margin. Third is to flag off the second-generation reforms.

Vajpayee is not alone in stressing hard-nosed economics over populism. His key lieutenants, such as finance minister Yashwant Sinha, have been talking about belt-tightening. Commerce & industry minister Murasoli Maran has been categorical that if the Foreign Investment Promotion Board cannot deliver, it must go. Others are talking in the same voice.

It makes sense to do so. If there is a lesson in these elections, it is that performance counts. Perhaps the best example of this is in Andhra Pradesh where N. Chandrababu Naidu and his Telegu Desam Party have been returned to power with a thumping majority despite pollsters and pundits alike predicting his comeuppance. Naidu took the anti-incumbency factor in his stride. The Congress was offering largesse such as free power and a waiver of dues for the farm sector. For the first time perhaps, voters didn't prove gullible.

It's not in Andhra alone. In Madhya Pradesh, too, voters have rewarded chief minister Digvijay Singh for performance. One can possibly draw a similar conclusion from the results in Tamil Nadu, a state that is fast developing as a favourite destination for foreign investment.

If performance has paid dividends, non-performance has met with rejection. In Maharashtra, a state that has been slipping in the industrialisation pecking order, the BJP-shiv sena has been humbled despite Pawar and his Nationalist Congress Party spoiling what would otherwise have been a clean sweep for the Congress. In Karnataka, the BJP sunk, leg-shackled to a ineffective Janata government. And Laloo Prasad Yadav has been cut to size in Bihar, a state he had taken for granted.

The stress on performance and economic issues is natural. The Indian voter is no longer content with being treated as part of a vote bank. This is the way things have developed all over the world with growing electoral maturity and there is no reason why the Indian voter should not expect the same. It is now up to the Vajpayee government to deliver. It has a lot going for it: the economic indicators are improving, the stockmarkets are booming and there is a strong feel-good factor. As the new government puts its best foot forward, if it delivers on its promises, the BJP could displace the Congress as the 'natural' ruling party.

in this issue

Aviation	132
Banking	104
BI Index	16
Books	188
Businessmen in the News	28
Business Notes	32
Column	40, 142
Corporate Reports	70
Cover Feature	50
CyberNews	18
Economy	37
Economic Indices	44
Editorials	9
Executive Focus	164
Executive Track	166
Feature	117
Finance	101
Focus	64
Follow-up	22
For Your Information	15
Health	128
Imports	122
Institutions	126
International Briefs	162
International	157
Internet Addresses	140
Interview	192
Letters to the Editor	4
Listening Post	12
Marketing	110
Market News	144
Marketwatch	146
Mutual Fund Monitor	149
Newscast	24
Panju's Page	49
People	190
Telecom	138
Selections	182
Special Report	57
States	130
WorldPaper	151

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Corporate Reports

70
INDIAN HOTELS ▶
Uniform service standards, transparency, and a strong bottomline focus are the new drivers at Indian Hotels

81
SAP INDIA
SAP India, the wholly-owned subsidiary of the enterprise software major SAP AG, is the fastest growing company in the fast-expanding ERP market

89
KALYANI SHARP



After trebling profits last year, this electronics manufacturer has put plans in place to improve performance even more

91
ROTOMAC
After the split from his father and sibling, Vikram Kothari is creating his own empire

37
Economy
The government is clearly looking for enhanced foreign investment flows to bolster the economy

101
Finance
- The market wants RBI to loosen its grip over the rupee
- A combination of low interest rates and tight liquidity has got bankers worried

104
Banking
The report of the M.S. Verma Committee has sounded a warning for public sector banks. Managements and employees of these banks have vociferously opposed this





92
INFOTECH ENTERPRISES
Hyderabad-based Infotech Enterprises makes strategic acquisitions for a global presence

98
DCL



Though the leader in engineering consultancy DCL is passing through a bad patch, it is not exactly resting on its laurels

110
Marketing
- Luggage-maker Samsonite has a bag full of plans to boost its presence in the market
- Faber-Castell's strategy for the millennium is clearly spelt out in black and white

122
Imports



Following a duty reduction, cheaper imported coal has flooded the Indian market. Will coal-using industries be able to reap its benefit?

132
◀ Aviation
- Jet Airways buys five new state-of-the-art turboprops from the European ATR

9
Editorials
- Vajpayee has some of his old reform-minded ministers back; but also some populist spoilsports
- Populism is the worst enemy of rational pricing for petroleum products
- Gen. Musharraf's coup, rather than ending the turmoil in Pakistan, may actually be the beginning of more instability

22
Follow up
- Titan Industries has launched trendy digital watches
- Gold moves in mysterious ways
- Agro Dutch Foods' share price was at Rs22 five months ago. Today, the scrip changes hands at around Rs130

32
Business Notes
- Exports of high-value steel are coming to the rescue of the Indian steel industry as global prices firm up
- Where is the Sensex heading?
- The Firodia Awards are the highest cash awards in the country for scientists
- After 30 years of uninspired marketing, tea producers in Darjeeling are waking up to the value of the Darjeeling brand

192
Interview
Notwithstanding the none-too-impressive performance of his Party in the recent elections, **Sharad Pawar** is confident that his political stature has remained intact

COVER FEATURE
50

Victory's Dilemma

Atal Behari Vajpayee has much to deliver. How far will his government go with economic reform



RAMESH PATHANIA



Cover photograph
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SPECIAL REPORT
57

Although the stockmarket has staged a sharp recovery, the new government will have to take some hard decisions if the boom is to sustain

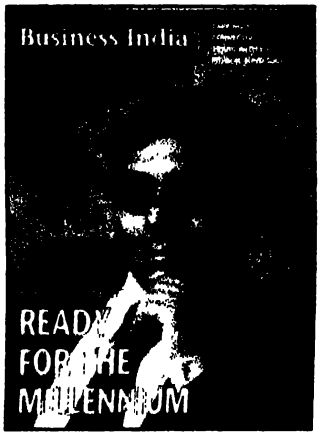




UMESH GOSWAMI

FOCUS
64

The spurt in business plans for Net-related activity is changing the nature of the funding process and business practices



• Cheers to south India

South Indian businessmen are becoming the veritable backbone of the Indian economy (Editorials and Cover Feature, 3 October). The promoters of Infosys Technology and Satyam Computers have stolen the show and similarly, the Sundaram and Ramco groups have raised the stature of Indian industry. Corporate raider Rajarathinam has no doubt sullied the image of south Indian industry on the national stage, but by and large, south Indians as well as south Indian industries are still considered reliable.

The Murugappas have given a solid footing to South Indian industry, though they have yet to make their name trustworthy on the stock-markets. Also, in the actual consumer market, TI cycles has yet to make itself familiar like the brand names of Avon, Atlas, and Hero.

AKHILESH KUMAR SAH
Faizabad

• Open end only option

In your interesting survey of mutual funds (17 October), it was frightening to note that the net assets of close-ended MFs exceeded Rs36,000 crore as on 30 August. Assuming an average discount of 30 per cent between the market price and their NAV, they can add enormous wealth amounting to more than Rs10,000 crore by converting themselves into open-ended ones.

If they do not, unit holders will demand and exercise their legal rights. Many of these funds have a corpus exceeding Rs1,000 crore and the sponsorship/AMC investment in the fund is barely anything, in many cases less than Rs10 crore.

If these funds do not go open-ended, unit holders will have to wait for another 10 to 15 years to get what is due to them, be at the fund management's mercy to get dividends cleared and suffer a loss of 10 per cent income tax paid by the funds on dividends when they are not open-ended.

But while you have published a detailed article on MFs, it did not include the performance of the 10 top close-ended funds. Could you kindly do so?

AJIT SANGHVI
Mumbai

• A great bank

The State Bank of Travancore (SBT) with its premier network in Kerala is not only a lead bank but the pride of that state. If *SBT tries harder* (6 September), it can well achieve an all India stature with the best parameters in profitability, efficiency, systems and technology. Its best feature is its focus on customer service. Even in rural areas, it has attained heartening NRI business with special NRI branches and sections. Special facilities have provided to help the semiliterate and illiterate to open and operate accounts. And the management is ready to take immediate action to redress any grievance or improve services.

A. JACOB SAHAYAM
Vellore

• NIIT impresses

I was impressed by the business plans and models of NIIT (Cover Feature, 16 September) and my congratulations to the author who has been able to simplify and explain the workings of such a complex IT company. Success has not come to it by chance, as it has been the planning and vision of its promoters that has enabled it to scale these levels of excellence.

Do send a copy of the article to Warren Buffett so that this famous cult investor will not in future state that he does not invest in IT or software companies because he does not understand them. The loss of Coke and McDonald's may then be NIIT and Infosys' gain.

SUDHIR KARNIK
Pune

• Sanjeev Duggal, president of NIS, replies:

The facts of the case are as follows: Mahendran himself projected gestation periods of 10 months for his franchise to begin to show a positive monthly contribution and 22 months before it showed a cumulative positive contribution. This is in line with our experience with our other franchisees. As per our normal business practice, all statutory and necessary support was extended to the centre. On 28 October 1998 Mahendran requested NIIT to consider closing the centre since it was not performing as per his expectations. Based on this letter and subsequent discussions with our geography head in Chennai the closure was agreed to.

• An investor deceived

I was very disturbed after reading your cover story on NIIT. I started an NIS centre in 1997 believing that, since it was owned by NIIT, I could be sure of the profitability of my investment. However, while the company has created great wealth for itself, it has destroyed my wealth in a very short time and I have had to wind up my operations. I met the regional head several times but he refused to do anything. During my association with NIS the support I received was inadequate. When I expressed my desire to close my centre the regional office simply stopped communicating with me. I have since written to a few responsible persons in NIIT and NIS but none has cared to respond. I later met Muralidhar Rao in Delhi and explained my position to him but he told me his company would not compensate me for my losses. I believe an organisation like NIIT should make sure that those who invest in its franchises reap the benefits of its own success and vision. I have had to pay a very high price for believing and trusting in the company.

N.R. MAHENDRAN
Chennai

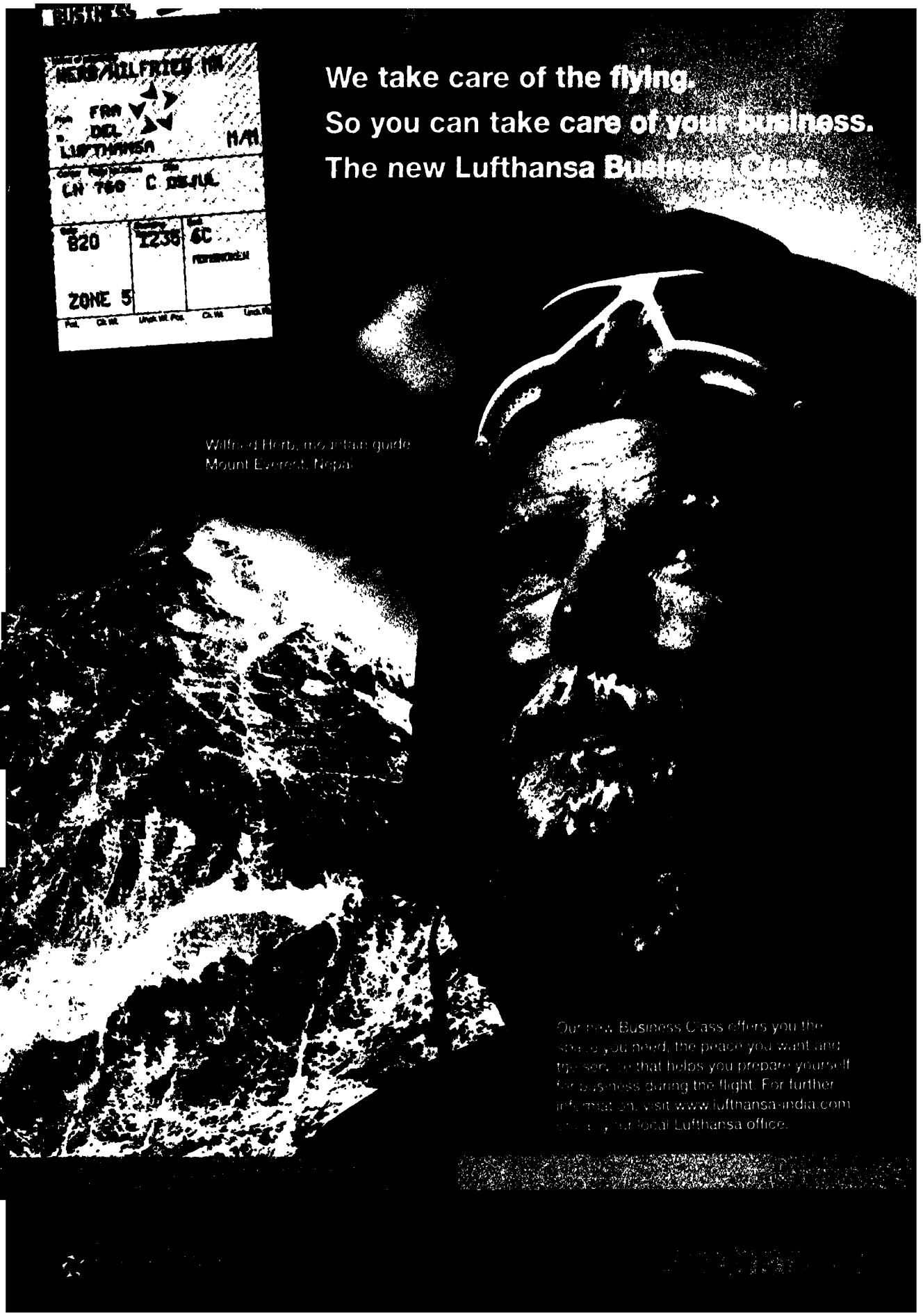
• Take tough action

The ouster of the Pakistan prime minister Nawaz Sharif by Pakistan army was due to sharp differences between Sharif and army chief General Musharraf on Kargil issue in which Pakistan army was defeated by Indian troops while crossing the Line of Control (LoC) which tarnished the image of Pakistan army following the withdrawal of infiltrators from LoC.

With the army coup in Pakistan I strongly feel that Indian troops has to be on the red alert because the army chief General Musharraf is the enemy number one of our country and is today a frustrated man today due to defeat in the Kargil and is likely to create trouble on the LoC border between India-Pakistan and will create tension in the subcontinent.

It is the duty of the Union government to take tough action against Pakistani army if they attack us and finish them once for all to teach them a good lesson to take Indian armed forces into confidence and the people of the country who have elected them to rule the country.

BHAGWAN B. THADANI
Mumbai



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Perils of privilege

Vajpayee has some of his old reform-minded ministers back; but also some populist spoilsports

Looking at the front page of a financial daily on Friday last, you couldn't help being struck by the glow of self-confidence that shone out of the page. The top half had Yashwant Sinha, elbows on his desk, right hand probably readying for a benediction on the reader. Arun Jaitley, the new I&B minister, R. Kumaramangalam, the power chief, and Murasoli Maran, who heads commerce, are all given prominence under their respective headlines. Each one of them gazes over your shoulder at some point in the future, perhaps looking for their vision on the horizon.

Reading those headlines, you'd imagine that the baptism of the recent election had served to cleanse the BJP and its allies of the fears and uncertainty that marked the run-up to the election. Look at us, the photographs seem to say, we're serious about reforms and you are going to see some smart agendas around here sooner than you think!

Most readers of this magazine would wish them well and hope that they can sustain the enthusiasm that marks their first announcements on their bailiwicks. The discerning reader would do more; he would refer to the first day that the cabinet was announced for a look at the ministers who will adorn the various offices in North and South Block. We have, starting with the ladies, a redoubtable and highly excitable Mamata Banerjee in charge of railways, home-spun socialist champion-of-the-underdogs Ram Vilas Paswan, and (of course) Sharad Y. all in charge of critical ministries; critical not simply because of their strategic importance but because these worthies could spike any attempts by the other more experienced and reform-minded ministers to reform not only the economy but the government itself.

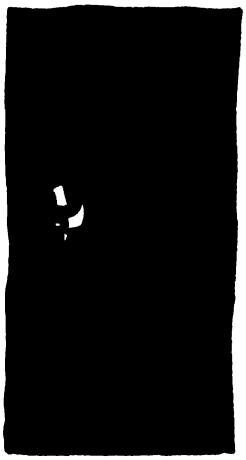
Vajpayee has a cabinet of 70 and he hasn't yet appointed the junior or deputy ministers. If you thought Uttar Pradesh took the cake for having at one time 100 ministers, watch out for Vajpayee's team. He has won the government for the BJP and the allies single-handedly, but he will have learnt his lesson well and will try to please as many parties as possible by creating new posts if he has to. And there will lie his undoing.

At some point in the expansion of a cabinet of ministers the government will turn unwieldy; not just in terms of governance itself but in terms of its capacity to speak and act with one common agenda. Messrs Sinha, Maran, and Jaitley, with the blessings of Vajpayee, may talk of cutting government expenditure by pruning staff, perhaps divesting the PSUs. The fiscal deficit is a constant nightmare for any government and Sinha has had enough experience to acknowledge its awesome impact on the economy. Then they will have to contend with the likes of Banerjee and Paswan, both of whose strategic visions are constrained by geography and community; Banerjee hopes to become the apostle of West Bengal and Paswan of the lower castes.

Much more on his hands

But it is not only in the realm of financial prudence that Vajpayee will have to exercise statesmanlike leadership. With the army in power in Pakistan the temptation to turn hawkish will be strong in the defence establishment; war cries cannot be ruled out from the Hindu fringe groups that gave Vajpayee so much heartburn in his previous term. It will require the combined efforts of the finance ministry, ever watchful of expenditure, and the temperate views of Vajpayee himself to control the urges to jingoism. What he and his colleagues will have to understand is that a government committed to the development of its people on democratic lines is the best defence against a neighbour whose government cannot stop its sabre-rattling.

For Vajpayee the task of pulling such a huge team together in one direction will be made all the more difficult by the job of getting the states to fall into some fiscal disciplinary line. The elections have transferred power more than ever before to the states; Vajpayee will now have to deal with newer forces in the form of the Janata Dal (United) in Karnataka, probably the Congress-NCP in Maharashtra, and Om Prakash Chautala in Haryana. Most of the states are broke; every one will clamour for Central assistance and cry foul when it is not given. What a way for Vajpayee to begin his third innings. •



Diesel downside

Populism is the worst enemy of rational pricing for petroleum products

At first sight it might appear a bold and dashing move on the part of a caretaker government whose representatives have just finished fighting an election for a comeback. Hours after the Election Commission's model code of conduct was thrown out by the Supreme Court, the BJP caretaker government announced a 40 per cent hike in diesel prices. It was also a little foolhardy, because consumer might just have decided that the caretaker government had become opportunistic and therefore felt shortchanged especially those who had voted for the candidates from the ruling alliance. Mercifully the move passed muster. Not any more, now that the government is in place.

It might be argued that there was no alternative to increasing diesel prices by 40 per cent even before the election results were announced, considering the increasing domestic consumption of the fuel. Contrary to past trends (consumption of diesel grew by 4.3 per cent in 1998-99 and 3.7 per cent in 1997-98), this year it increased by 9 per cent. A major reason was, of course, the surge in industrial production this year compared with the previous two years, when recessionary conditions had gripped industry — the major consumer of diesel. A 60 per cent jump in crude oil prices since the last price adjustment in April 1999 also weighed in favour of the increase.

However, the manner in which it has been done was inopportune. Once the government announced a policy of linking domestic diesel prices to international ones, it should have been put on autopilot. In fact, immediately after the announcement in 1997, several such adjustments (and some of them downward) were announced. However, the BJP's coalition government facing elections could not muster the courage to follow the practice in the last six months.

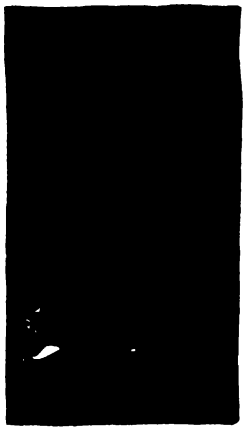
The resulting 40 per cent hike is going to be difficult for industry or consumers. to digest. Already the Congress and Chautala's Lok Dal in Haryana, a political ally, have expressed opposition to the hike. While the Congress's demonstrated opposition appears to be opposition politics, the INLD's cannot be wished away. The discontent among various alliance partners with Vajpayee's exercise of ministry-making is only going to accentuate the problem.

Keeping politics aside, the delay is obviously retrograde and hopefully will not happen in the future. Just as the announcement of interest rates periodically has been left to the wisdom of Reserve Bank, we hope petroleum product prices too are left to the Oil Coordination Committee every month, no matter what the political situation is.

In fact, the government should go a step further and take serious steps to implement the Nirmal Jain Committee's recommendations regarding administered prices of petroleum products. Cooking gas prices are waiting to be hiked and the urban or rural middle class can definitely absorb a Rs50 hike in monthly fuel prices once a quarter, so that before the end of 2000 the cooking gas subsidy is ended. The kerosene prices too can be delinked from cross-subsidisation and, instead, a direct consumption subsidy be provided for in the budget, targeted at the poor.

The result will be a rational regime for the growth of the oil sector and not one where the refiners keep waiting for thousands of crores in receivables from the government. If the government is serious about creating a level playing field between Indian oil companies and the foreign ones, it has to let them sell their products like any other oil company in the world. Similarly, concrete steps should be taken to ensure that the entire administered pricing mechanism is dismantled by 2002 as scheduled and the 12 per cent cost-plus formula is removed, as it provides no incentive to efficient refiners.

To implement all these purely economic decisions the government has to take a few lessons from Chandrababu Naidu, who educated his electorate against the Congress's populist 'free power' slogan by asking them in his rallies, "Do you want two hours of free power or 24 hours of quality power?" and won the elections with a thumping majority. The whole second phase of reforms cannot be implemented by recourse to rule by decree, as we have seen increasingly in the recent past. Instead, the government should take extraordinary efforts to educate the public about economics as it is a necessary condition for economic growth and a shield against charlatan demagogues. Voters in Andhra Pradesh have shown that it works. •



An unclear future

Gen. Musharraf's coup, rather than ending the turmoil in Pakistan, may actually be the beginning of more instability

It scarcely bodes well for India to have a virtual martial law clamped on Pakistan for the first time after that country acquired its nuclear capability in May last year. More so when the military leadership there has manifested a visceral hostility towards New Delhi — in February, when the chief architect of the current bloodless coup, Gen. Parvez Musharraf, and his other service peers boycotted the reception accorded to Indian Prime Minister Atal Behari Vajpayee in Lahore, and again during the June/July cross-border strife in Kargil.

Indeed, it was on the vexed impasse over Kargil that Musharraf, Pakistan's maiden Mohajir army chief and chairman of the joint chiefs of staff committee (JCSC), first came into conflict with Prime Minister Nawaz Sharif. They could never reconcile their differences thereafter, culminating in Sharif's dismissal of Musharraf when the latter was on an official visit to Sri Lanka. The same day upon his return to Pakistan, Musharraf turned the tables on Sharif, had him and his key aides taken into custody, and strode to power with military backing. Within days he put an end to all speculation whether he would induct a puppet civilian regime by declaring instead a state of emergency, that is tantamount to a virtual imposition of martial law, appointing himself chief executive, suspending the constitution of the Islamic Republic, banning the Supreme Court from challenging his authority, and putting the whole of Pakistan under the control of the armed forces.

Ironically, Musharraf himself had been handpicked by the prime minister to succeed Gen. Jehangir Karamat, who had unceremoniously been dismissed by Sharif in October last year. Karamat was made to pay for his public condemnation of the Sharif regime, while Musharraf was rewarded for his loyalty. That Sharif miscalculated became increasingly clear when Musharraf swiftly consolidated his control, not unlike Gen. Mohammed Zia-ul-Haq, who had similarly belied the trust reposed in him by Zulfiqar Ali Bhutto. Musharraf's aversion for India came through even in his address to the nation delivered on state-run Pakistan Television (PTV) soon after assuming power. In a veiled warning to India without naming it, he declared that no country should take advantage of the situation prevailing within Pakistan. It was just as well that, despite his preoccupation with government-formation, Vajpayee was quick to ensure that the Indian forces were put on high alert.

Pakistan's latest descent into political turbulence ironically coincided with the swearing-in of the re-elected Vajpayee ministry, whose numerical superiority in the 13th Lok Sabha and in comparison augurs a political and economic stability for India. It is generally felt that military rule in Pakistan has not aggravated its relations with India as the army there focused itself on consolidating power and governing the country quite unlike the civilian governments, which have sought to divert attention from their misgovernance back home by conjuring up threats from across the border. But one must recognise the fact that Musharraf has traditionally been close to the fundamentalist Taliban – supported in neighbouring Afghanistan by the dreaded international terrorist Osama bin Laden – as well to the extremist fringe in Pakistan. Being a Mohajir rather than a Punjabi, as most of his predecessors have been, he needs to ensure that his acceptability within the Pakistani armed forces is sustained and will thus seek to nurture his militant constituencies even more fervently in order to bolster his influence.

While Musharraf enjoys the backing of the Islamists and the militants, he would do well not to get carried away by the street exultation that greeted his ascent to power. The jubilation was less for the military takeover than for the ouster of Sharif, whose popularity has waned on account of his misgovernance, his pussyfooting on Kargil by acquiescing to US pressure, his mismanagement of the economy, and the violent sectarian strife in Sindh that has united the disparate opposition against him.

Despite the state of emergency, Musharraf has allowed President Mohammed Rafiq Tarar to retain his post. Pakistan's political future as yet seems hazy. With army rule back and Sharif's discredited predecessor Benazir Bhutto – now ensconced in Dubai to avoid grievous corruption charges back home – exerting herself in wresting some advantage for an early return to power, the real losers will unquestionably be the ordinary people. In his brief address on PTV Musharraf said: "You are all well aware of the kind of turmoil and uncertainty that our country has gone through in recent times." Little does he realise that the future for Pakistan may scarcely be different under the circumstances. ♦

BPL acquires London CTV unit

Consumer electronics major BPL is busy pumping up volumes in the international marketplace. On 1 November a sales and purchase office is being opened in London as a precursor to acquiring a CTV plant just outside the megalopolis. The plant, with a capacity of 300,000 sets per annum, is being purchased for $3 million. This includes the working capital required for expansion. BPL's director (international operations) L.H. Bhatia has been instrumental in masterminding the acquisition. The company is all set to shift some vital plastic moulding machinery from its Bommasandra automation division plant to the London facility.

With the working capital expansion, Bhatia reckons that he can up the ante with capacity shooting up to 600,000 units per annum by the year 2000. This is expected to add Rs500 crore to the group's turnover. While the ownership of the actual plant is being kept under wraps, it is very likely that this acquisition is of London-based manufacturer Binatone. This will enable BPL to attack the western and eastern European markets, and also hit the north African market with the old brand name. BPL's strategy is determined by the novel concept of 'time to market' to ensure that the product gets to the consumer in double-quick time.

Taj property hunt

With the Taj Mahal hotel set to be renovated, the top echelons of Indian Hotels will be shifting out of the old Taj to their new premises. The Taj management was negotiating with the Oxford University Press for its building near the Taj, but that has now fallen through. Instead Dhanraj Mahal, also behind the Taj in south Mumbai, has been zeroed in on. Further, the Taj group is keen to acquire a small hotel in the same area (could it be the Diplomat?) for its other personnel.

With the Taj group going slow on building new five-star properties unless there are substantial profits involved, fine-tuning of the demand-supply projections for north Mumbai are underway. Intense competition in that area is forcing the Taj to work on the blueprint for a radically different product in the Sahar area. Meanwhile, the buzz is that the Wellington Mews hotel project (in south Mumbai) is finally taking shape.

HDFC real estate MF

Housing Development Finance Corporation (HDFC) has apparently once again asked the Securities & Exchange Board of India (Sebi) to allow it to float a real estate mutual fund which will enable investment in real estate. With a new government in place and Jagmohan as the urban development minister, a slew of measures are on the anvil. The grapevine has it that Sebi is not averse to the idea this time round, subject to the government amending regulations. HDFC, buoyed by a 40 per cent increase in housing loan applications from individuals in the first five months of this fiscal, has also cut by 1 per cent its interest rate for the Rs5-10 lakh slab.

Meanwhile, Hudco has put forth a proposal to the Union government for a regulatory authority for urban infrastructure called the Utilities Commission, which will handle a wide array of tasks related to urban infrastructure projects.

Spielberg to come to India

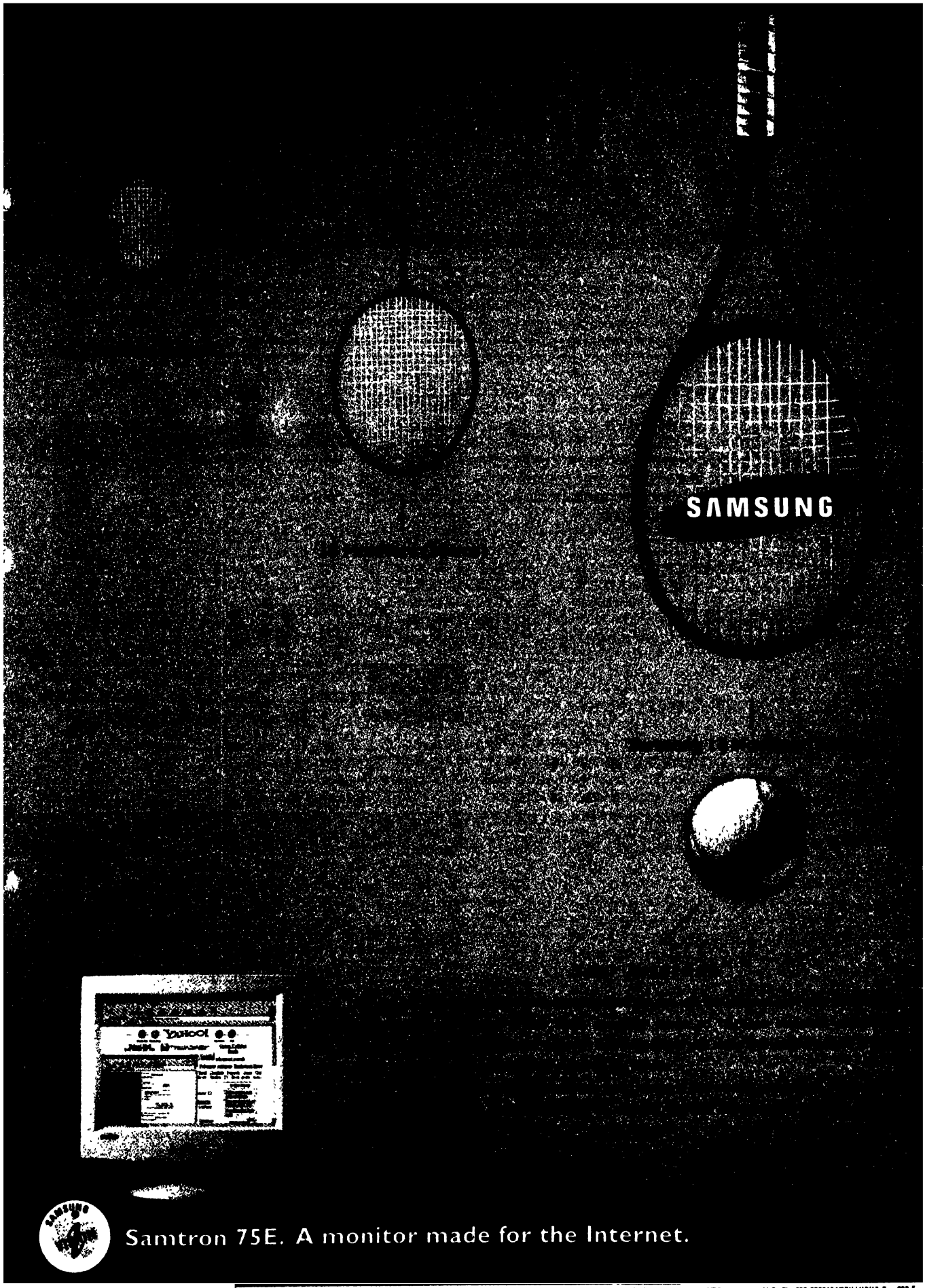
The Indo-American Chamber of Commerce is keen to stage a major interface between Hollywood and Bollywood in Mumbai later this year. There is talk that Hollywood will be represented by Dreamworks guru Steven Spielberg, while Bollywood will have all its titans in full regalia, including ace filmmaker Mani Ratnam. With the film industry being accorded industry status and industry associations like CII and FICCI keen on interacting with the entertainment industry, film finance is something that is still proving to be problematic. A dialogue between the two hotshots of the film industry - Spielberg and Ratnam - is expected to iron out some of the glitches.

Downturn in publishing

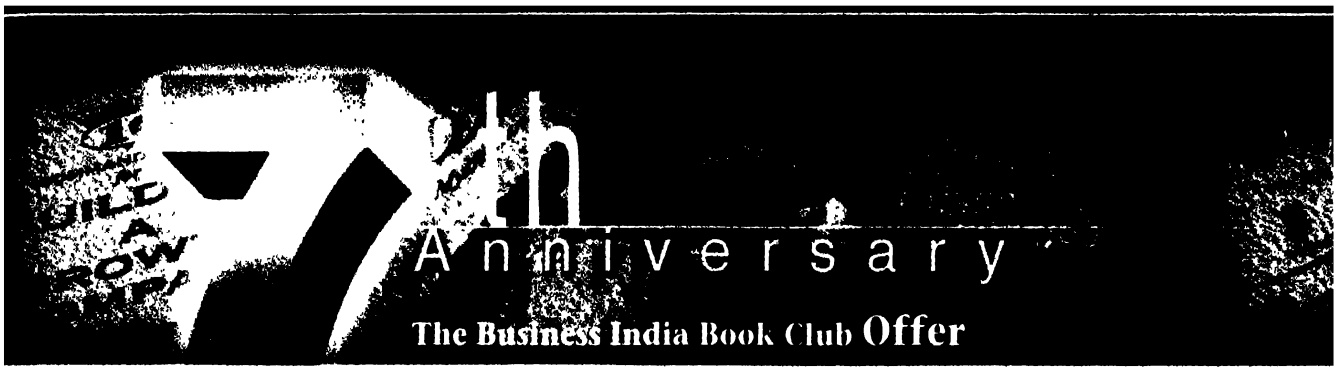
Gentleman magazine of the Sterling Group (part of Manoj Sonthalia's The New Indian Express Group) is facing tumult. Editor Sambit Bal has put in his papers as the magazine's printing is being shifted either to Bangalore or Chennai as part of a cost-cutting exercise. The New Indian Express Group's magazine division publisher Rajib Sarkar, also publisher of *Gentleman* magazine, is the new editor. Apparently, printing *Gentleman* at Tata-Donnelley in Mumbai has proved too expensive. Meanwhile, the news out of Job Charnock's Calcutta is that the Ananda Bazar Patrika group has finally decided to suspend publication of the beleaguered *Sunday* magazine. This, however, was denied by ABP sources in Mumbai.

Ambanis may take DSQ

A few weeks ago the Ambanis made known their decision to buy some software companies. Using their financial power a number of software companies could come their way. However, the Ambanis are known only to pick up bargains and stay away from high-priced deals. Apparently, one company they are looking at is DSQ software. Earlier a Singapore-based NRI wanted to take it over. At that time the share prices jumped. After that deal fell through the share fell significantly. Now the Ambanis, knowing that the promoter has pledged a large number of shares in the bazaar, are said to be aproaching he lenders with an offer to take the DSQ shares off their hands — naturally at a price lower than the market but higher than that at which the lenders have lent. The lenders get off the hook and the Ambanis acquire cheap — the only loser is Dalmia, the original promoter, who in any case has made a large amount in the past out of the whole deal. •



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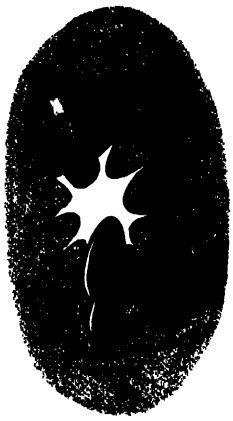
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Cellphone conundrum...blowing cold...snakes alive!

Cellphones are taboo in the air — particularly while aeroplanes are taking off and landing. They have also acquired pariah status in hospitals and restaurants. Now they are becoming unacceptable in another area — petrol pumps.

The latest to sound a warning is BP Amoco.



Company officials are concerned that electronic impulses from cellular phones and other electronic devices could trigger explosions if mixed with gas fumes. The company had earlier cautioned against using cellular phones, compact disc players and pagers at its service stations in the UK and Australia. It is now doing the same thing at its service stations in the US.

BP Amoco in not the first off the block. Motorola has warned against using its instruments in fuelling areas. Chevron has begun mailing out information to caution against the use of all portable electronic devices near gas pumps. This was done earlier by Exxon. Meanwhile, Cicero, near Chicago, has passed a law banning the use of cellphones near gas pumps.

Much of the reason for the ban is because of rumours spread on the Internet that use of cellphones can be dangerous. There have been reports that two drivers — one in Indonesia and another in Adelaide, Australia — were severely burnt after explosions caused by the use of cellphones. These reports have not been verified, but companies in the business have been issuing warnings as a measure of abundant caution. If things keep on this way, the cellphone bids fair to acquire the status of today's other popular bugbear — smoking.

Nasa's Mars Climate Orbiter has gone up in smoke, one of a series of recent US space programme disasters. This time there have been no prolonged post-mortems that end up absolving almost everybody. The reason for the failure, it turns out, was a simple calculation error.

The Jet Propulsion Laboratory in California said its preliminary findings showed that Lockheed Martin Astronautics in Colorado submitted acceleration data in English units of pounds of force instead of the metric unit called newtons. At the propulsion laboratory, the numbers were entered into a computer that assumed metric measurements. Lockheed Martin Astronautics acknowledged the mistake.

The Mars Climate Orbiter was on a mission to study the Red Planet's weather and look for signs of water, information key to understanding whether life ever existed or can exist there. It carried cameras along with equipment for measuring temperature, dust, water vapour and clouds.

All eyes are now focused on the Mars Polar Lander — the second element of a two-part mission costing $328 million in all. The Lander is due to touch down on 3 December in the planet's south polar region.

The calculation snafu has brought into sharp focus two issues. First is the US persistence on continuing with archaic measurement units such as miles and gallons. If this had not been the case, the mix-up would not have happened in the first place. The second is the poor performance of US students in mathematics.

Results from the Third International Mathematics and Science Study show a continuing decline among US high school seniors in maths and science. American students ranked 19th out of 21 countries in general maths skills, with only Cyprus and South Africa showing poorer results. Among academically-advanced students, the US ranked 15th in maths among the 16 nations that participated in the advanced tests, with only Austria ranking lower.



The study found that US students did fairly well in both maths and science at the fourth-grade level, but, by the eighth grade, they ranked in the middle in science and below average in maths. US schools are apparently failing to build on those skills as students move into middle school.

A recent editorial in the *Washington Times* said that "US high school seniors are among the least prepared students on the planet in the fields of science and mathematics". It's from seeds such as this that orbiters go belly up at Nasa.

Blowing your nose when you have a cold would appear to be an automatic response to troublesome symptoms. But, if researchers are to be believed, that's just the thing you should not do. According to a collaborative study done at the University of Aarhus in Denmark and the University of Virginia in the US, blowing your nose can propel mucus into the sinuses potentially increasing the severity of a cold and risk of bacterial infection.

There is a potential risk for each nose blow to introduce nasal secretions into the sinuses. During colds, nasal secretions contain virus and bacteria.

While the findings have implications for the treatment of the common cold, this nose blow by blow account has little by way of a short-term solution. After all, a running nose is hardly a viable option.

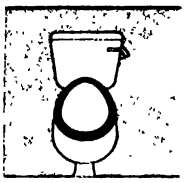
MSNBC reports that "an August *London Observer* story alerted Britons that this summer's New York



City fashion fad of live snakes as women's accessories would soon hit England. Londoners just back from Manhattan reported they had seen "several" or "quite a few" snakes on the street, from dance-club exhibitionists to the upscale patrons of trendy bars like Max Fish, with serpents usually carried in handbags and chosen for their colour, e.g., albinos or green garters or bright-banded corn snakes." •

BUSINESS INDIA INDEX

Ratio of foodgrains wasted annually in India to total foodgrain production in Australia during any given year: 1:1
Ratio of fruits and vegetables wasted annually in India to that consumed in the UK during any given year: 1:1
Number of Indians, in million, who could be fed for a year by the amount of foodgrains that India wasted in 1998-99: 117



Percentage of rural households in Haryana and Punjab that own a television set: 40 & 39
Percentage of rural households in Haryana and Punjab that have a toilet: 8 & 20

Percentage of school-going students in Delhi who have dental cavities: 33
Percentage of school-going boys in Delhi who have dirty nails: 56
Percentage of school-going girls in Delhi who have dirty nails: 44



Chances that militants in Punjab took to militancy either for the sake of fun or for indulging in large-scale looting rather than for political commitment to the cause: 1 in 2
Chances that the victims of militancy in Punjab belonged to the community from which the militants came: 78 in 100

Increase, in per cent, in the number of IPS officers in Punjab in the last 14 years: 130



Percentage of rural households in Bihar and Uttar Pradesh that have a separate kitchen in their homes which, according to NCAER, 'symbolises autonomy to female members within the Indian structural context': 16 & 18
Percentage of rural households in Himachal Pradesh and Kerala that have a separate kitchen in their homes: 81 & 89

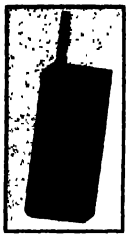
Number of unmarried women out of every 100 Keralite women of marriageable age: 51
Number of unmarried women out of every 100 Indian women of marriageable age: 45

Percentage share of the population of 37 democratic countries (of the 121 countries worldwide) in the total world population in 1980: 35
Percentage share of the population of 117 democratic countries (of the 193 countries worldwide) in the total world population in 1998: 54



Average number of hours that a British woman spends ironing her family's wardrobe annually: 117
Average number of hours that a British man spends ironing his family's wardrobe annually: 68

Percentage of Canadians who expressed a great deal of confidence in political parties in 1979: 30
Percentage of Canadians who expressed a great deal of confidence in political parties in 1999: 11



Estimated number of mobile phones that will be lost by Londoners on their city's public transport system in 1999: 13,000
Estimated number of umbrellas that will be lost by Londoners on the city's public transport system in 1999: 11,000

Number of words in which members of Britain's House of Lords have to explain why they should be allowed to keep their jobs: 75
Number of Lords, out of a total 759, who will lose their jobs and titles this year due to massive cost-cutting by the British government: 667

Amount, in dollars, offered as reward by the US government for capturing Afghanistan-based terrorist leader Osama bin Laden: 50,00,000
Amount, in dollars, reportedly offered as reward by an Afghan scholar for the head of US president Bill Clinton: 113

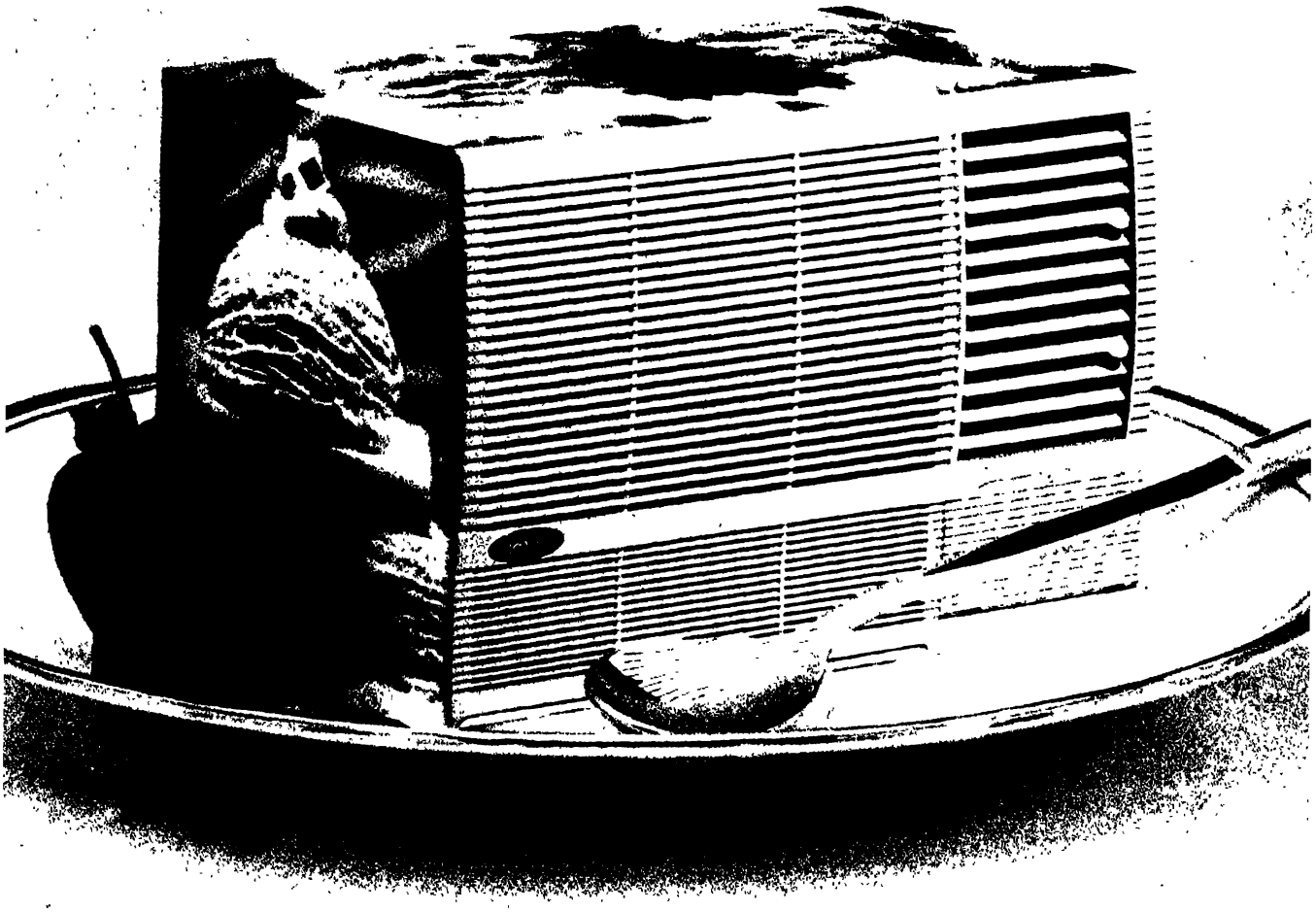


Average cost, in dollars, of a breast augmentation surgery in the US: 3,077
Average cost, in dollars, of a breast reduction surgery in the US: 5,471
Chances that a breast surgery in the US among girls aged 18 and younger is for reduction and not for augmentation: 68 in 100

Compiled by ANOOP BABANI

SOURCES: 1,2&3 Ministry of food and civil supplies and *India Today* magazine, New Delhi 4&5 India Human Development Report 1999, National Council of Applied Economic Research, New Delhi 6,7&8 School Health Annual Report Programme, New Delhi 9&10 *Terrorism in Punjab* by Harish Puri, J.S. Sokhon and P.S. Judge, Department of Political Science, Guru Nanak Dev University, Amritsar 11 *A Strategy of Fiscal Management for Punjab*, Chandigarh 12&13 India Human Development Report 1999, National Council of Applied Economic Research, New Delhi 14&15 Kerala State Planning Board, Thiruvananthapuram [illegible] 16&17 [illegible] 18&19 *A survey of British attitudes towards ironing of clothes* by Audience Selection, London 20 [illegible] *Democracies?* by Robert Putnam, Susan Pharr and Russell Dalton, Princeton University Press, *The Economist*, London 22&23 *Financial Times*, London 24&25 *Newsweek* magazine, New York 26&27 *International Herald Tribune* quoted in *Time* magazine, New York 28,29&30 American Society of Plastic and Reconstruction Surgeons, USA

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Storage on Net

Imagine going back 10 years in IT history to the time when PCs only had a CPU and no hard disk. You had to load simple WordStar or dBase programmes from a floppy and store files also on floppy. Then came the hard disks and entire PC profile changed. Today, **www.DiskonNet.com** provides a hard disk on the Internet where a user can place his/her files, photos, MP3s and address book, among others. This new concept is a free service that gives visitors a personal Web-based 20 MB hard disk along with an e-mail account with mail forwarding facility, and the ability to share specified files, photos, and calendar entries. The promoters explain that the site is dedicated to creating a community of subscribers who want an easy, efficient, effective and secure way of storing and accessing their personal data over the Internet. The company offers partner and alliance programmes. The partner programme is aimed at a wide range of companies who can use the product to complement their business strategy, whereas the alliance programme is targeted at ISPs who can team up with the facility and enjoy increased site traffic and added value.

DiskOnNet.com

IT Net

One of the most successful IT sites on the Internet for the past couple of years has been ZDnet promoted by international publishers of computer magazines Ziff Davis. The information contained in this site is primarily American and it was only a matter of time before someone would occupy the Indian IT cyberspace with a similar concept. During India Internet World held in September 1999, promoters Pradeep Kar and Microland Limited unveiled **www.itspace.com**, India's first information technology portal. The Website aims to create a virtual on-line community of technology creators, developers, vendors and users by creating, building and facilitating content, community and commerce across the technology marketplace. The site features articles by IT professionals and analysts along with on-line ticker service on IT stocks, industry news, and coverage of IT-related events. For professionals the site offers the latest information on Web applications, IT services, enterprise management, manufacturing, and the changing canvass of IT policy. For others the site contains analysis of infotech stocks, job opportunities, and book reviews. A must for IT pros and enthusiasts.

Bank on Net



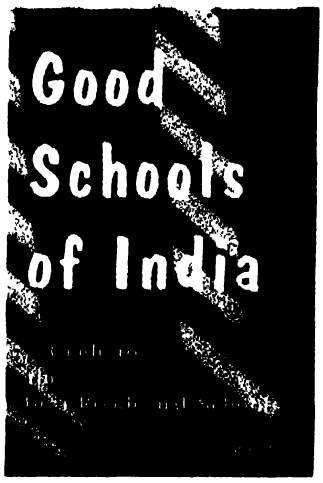
The Housing Development Finance Corporation Limited, among the first institutions in the private sector to receive 'in principle' approval from RBI to set up a bank, is also one of the first to offer banking facilities on the Net on www.hdfcbank.com. Laun-ched during September 1999, the site offers consumer banking, consumer loans, demat accounts, stockbroker accounts, business accounts, custodial services, corporate banking, cash management, correspondent banking, and treasury and capital markets. HDFC Bank's Web foray is driven by its mission to be a "world class Indian bank...a bank that would meet various financial needs of its customers in a convenient and cost-effective manner at international standards of service". The bank, which has a strategic business collaboration with Chase Manhattan, currently boasts a network of over 60 branches and 50 ATMs across the country additionally supported by phone-banking centres. A good effort for an Indian bank!

WebWatch

Net numbers are skyrocketing

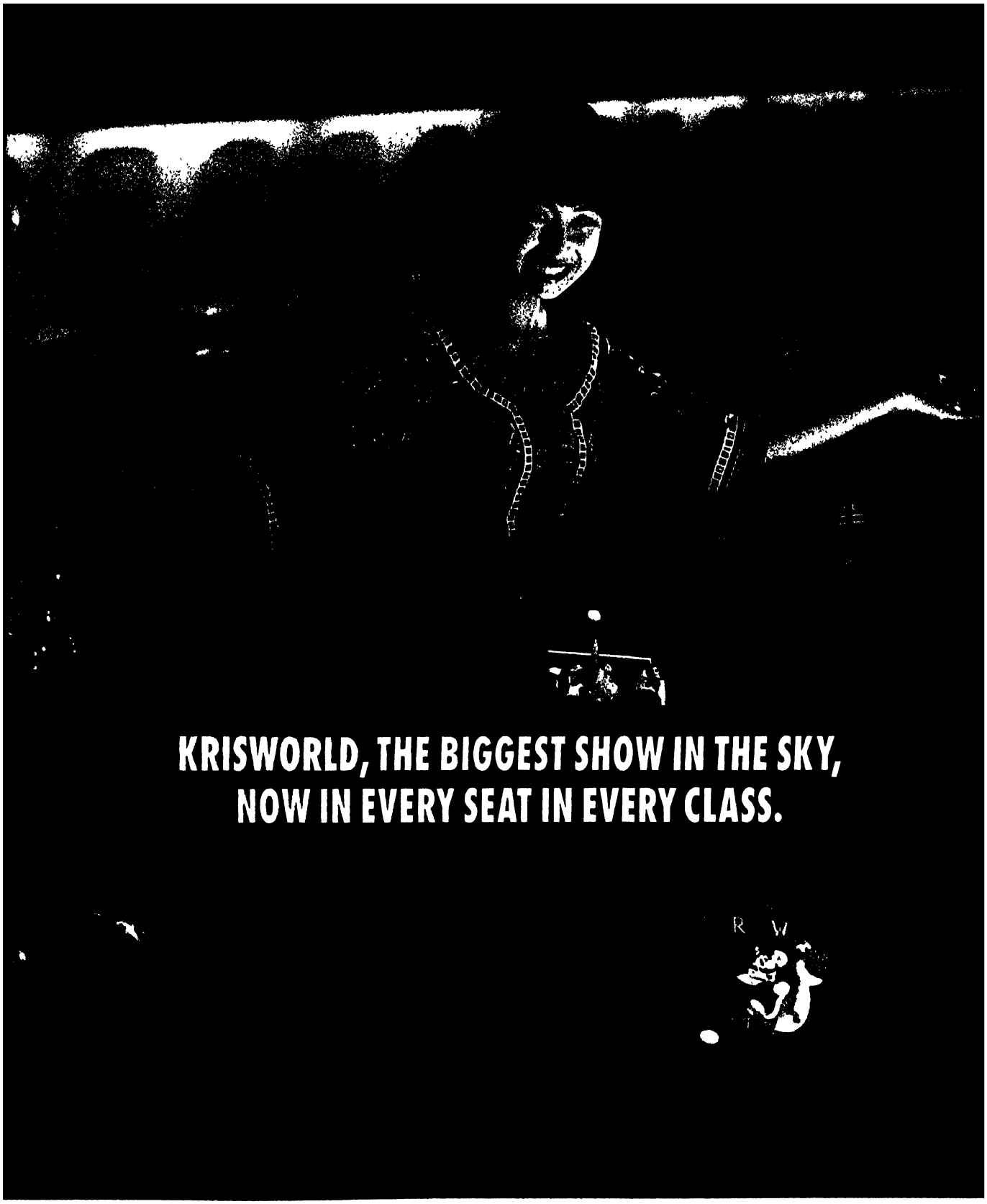
The number of Indians glued to the Internet is set to swell by 3.5 million in next 15 months if recent estimates prepared by Hyderabad-headquartered MBL Research and Consultancy Group are to be believed. MBL is a part of NFO Worldwide, the third-largest market research firm in the world. Its report on Internet usage in India released last week estimates the population of netizens in the country to increase from 1 million to 4.5 million by December 2000. Almost 85 per cent of India's Internet user base is currently in eight cities with Mumbai and Delhi leading the pack, though Pune has recorded the highest Internet penetration rate in the country. As regards gender and age-wise classification, 42 per cent of India's Internet users are between the ages of 15 and 24, 31 per cent between 25 and 34, and 27 per cent are 35 and above. Males constitute 72 per cent of all users. Another interesting finding is that e-mail accounts for the largest category of usage followed by entertainment, education, file transfer, and product queries. One out of seven users looks for local language content on the Net, whereas one in 10 claims to have made an on-line purchase so far.

Information on good schools



Dehra Dun-based The English Book Depot recently published a book *Good Schools of India* and launched a website **www.goodschools.net** containing the same information as in the book but with additional search facilities not possible in the dead-trees edition. The site provides detailed descriptions of over 100 of the best residential schools including famous and academically successful and speciality institutions like sainik schools, military schools, sports schools, etc. Authored by Sandeep Dutt, alumnus of the Doon School and a law graduate, the site provides details on curriculum, provision for sports, art, drama, and hobbies, and general information on fees and admission. There's also a primer on the characteristics of a good school and a checklist to help you choose the right one for your child. A useful effort.

◆ *Compiled by* ANOOP BABANI



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Ogilvy

Much room for growth

Agro Dutch Foods Limited

Five months ago (17 May 1999), Business India said how Agro Dutch Foods' share price, at Rs22, was a mushrooming one. Today, the scrip changes hands at around Rs130

It's not just the share price of Agro Dutch Foods Ltd (ADFL) that warrants a look, but the company's performance is noteworthy as well. During the first quarter ended June 1999, while export sales increased by 117 per cent to Rs15.12 crore, net profit shot up by over 11 times from a mere Rs31 lakh to Rs3.48 crore. This translates into an annualised earnings per share (EPS) of Rs10.11. Trading at Rs 130, the price to earnings ratio works out to 12 times. "Going by these figures, the net profit for the first half is estimated to be in excess of Rs7 crore (last full year: Rs8.59 crore)," says a financial analyst from a domestic mutual fund.

But what has really made this counter so attractive? "It's more than the results," says the company's MD, Malvinder Singh, who displays an acumen to negotiate good bargains. Towards the end of September 1999, Singh has managed yet another deal. Lipton of the US has signed a three-year agreement with the $100-million Kanan group for the import of 6,000 tonnes of mushrooms a year. "The mushrooms will be supplied by the Chandigarh-based ADFL," says NRI Mehul Shah, chief promoter of the Kanan group. The group is also the exclusive distributor of the entire Amul range of dairy products in the US.

"To cater to the growing overseas market, during the current year, ADFL has expanded its capacity from 9,736 tpa to 12,000 tpa. With the new marketing tie-up with the Kanan group, we plan to further hike this to 26,000 tpa by September 2000," adds Singh.

Interestingly, the Kanan group's commitment to ADFL is not restricted to a mere marketing tie-up. "We plan to make a strategic acquisition of equity too. This will be done through a preferential allotment of shares at a price above the current market price," reveals Shah. But, he remains tight-lipped on the details of his planned acquisition. However, according to an investment analyst, Shah hopes to step into the company with a stake of close to 6 per cent and the price that is being considered is over Rs 200 per share.



Singh and Shah seal the deal

LANCELOT JOSEPH

Gold moves in mysterious ways

With the Bank of England's 25-tonne gold auction on 21 September witnessing more bidders than the gold on sale, gold prices flared up from a low of $255.4 per troy ounce. The upsurge continued with gold in the London Bullion market scaling two-year highs of $321 per troy ounce in a short span of 10 days. On 12 October, the prevailing price was $323 per troy ounce down from a feverish high of $332 per troy ounce since 21 September. So, what triggered this unbelievable upward movement? Analysts argue that major players in the market were bearish on the gold price before the auction opened and hence went short, but with an increased number of bids



Price volatility has deterred demand

they were caught unawares. Mirroring the price spiral, domestic gold prices have firmed up rapidly.

Fifteen European Central banks stoked the fires by announcing that they would curtail sales from their official reserves. It is pertinent to note that close to 20 years ago, gold prices were hovering in the $800 per troy ounce vicinity. Once again the infallibility of gold as an investment vehicle has been thrown into stark relief with the latest price rise. Particularly in India where gold remains one of the most sound investment choices. With domestic prices ruling at three-year highs, the ramp-up, while encouraging, once again begs the question — is it sustainable in the long run? In a short span of a month, gold prices have shot up domestically by almost Rs1,000 per 10 gms.

Rolf Schneebeli, regional chief executive, Middle East and the Indian subcontinent for World Gold Council, has rightly stated, "The current gold price is a true indicator of the demand-supply situation. Consumers have seen that their confidence in gold is not misplaced. For too long, speculation had driven the market to unrealistically low levels." The World Gold Council maintains that third quarter official gold imports year on year over 1998 will definitely be better this year, primarily due to increased bank imports in the month of August. In 1998, the third quarter was the poorest, recording a mere 124.2 tonnes. However, the vagaries of this year's monsoon are still to be officially determined.

More importantly, while the demand is there, there is a definitive pause in gold jewellery offtake as the price volatility is dissuading consumers. Everyone is now waiting for stability to set in prior to Diwali which might once again kickstart a ramp-up in offtake and price.

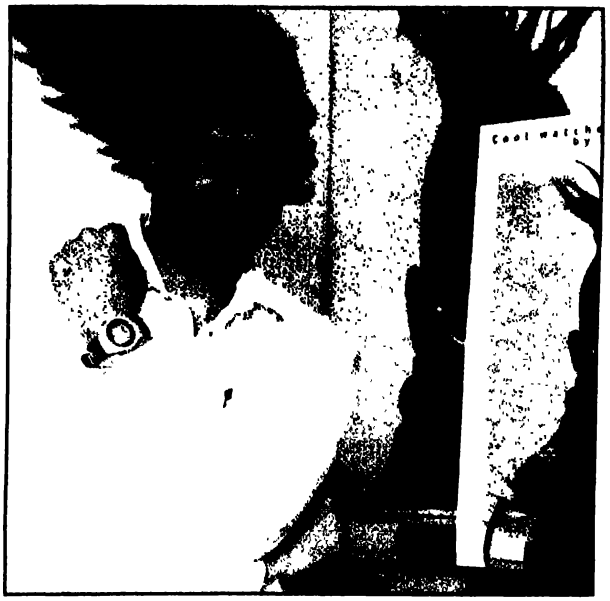
• SANDEEP BAMZAI

Business India, in its issue dated 19 September, had said that while the second tranche of the Bank of England's gold auction was likely to impact global gold prices, the domestic market would remain largely unaffected. But domestic prices have risen

Timing it right

In July this year, Titan Industries launched Dash!, a new range of watches for kids in the 6-14 age group. A look at the array of 28 watches in rainbow colours and funky styles had left one wondering if such a product line could belong to the same people who had designed the likes of Insignia, Regalia, psi2000 and Raga.

Following the success of Dash!, Titan has ventured into the growing digital watches market. With digital watches becoming tremendously popular the world over, the demand for quality digital wrist watches is increasing. The size of the digital watch market in the organised sector is estimated at around 200,000 watches and is expected to grow. And, naturally, Titan had to be the one to take the plunge into this growing segment. The company launched Digital Fastrack, an all-new range of digital watches designed exclusively for the young, sporty and trendy. "The decision to enter the digital watch market was inspired by the resurgence of digital watches internationally and the need to revitalise a dormant segment of the Indian watch market," says Jacob Kurien, vice-president (marketing), Titan Industries Ltd. With its digital range, Titan aims to extend its reach to the fashion-conscious youth market in the country.



Kurien wants to revitalise a dormant market segment with Titan's digital watches

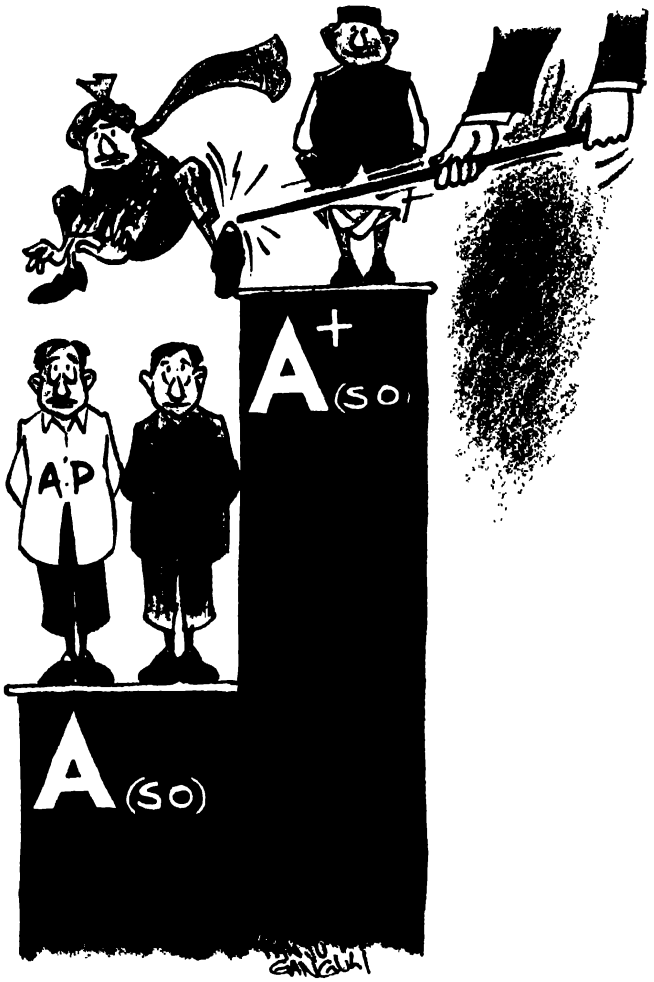
The new collection includes a wide range of styles, from the simple classic to the latest space-age-looking digitals and futuristic ana-digi models. The collection of 22 designs over four series — digivogue, digiventure, digitech and digigraph — is targeted at the 15-24 age group. Priced between Rs600 and Rs1,500, the products are well within the reach of the target segment. The digital range will be retailed nationally through the World of Titan showrooms, Time Zones and select outlets in eight cities — New Delhi, Mumbai, Calcutta, Pune, Chennai, Bangalore, Hyderabad and Ahmedabad.

• BHAKTI CHUGANEE

In our 12 July issue, we had reported that Titan Industries was branching out from its elegant range of watches and sporting a different look for children. Now, it has gone a step further and launched trendy digital watches

Industrial production rises 6.3 per cent

Some good news on the economy front. Basic and capital goods and consumer durables have pushed up the index of industrial production (IIP) for August this year by 6.3 per cent compared to 4.4 per cent registered last August. As per quick estimates released by the Central Statistical Organisation, the IIP for April-August has posted a growth of 6 per cent compared to 4.2 per cent in the corresponding period last year. Production in the electricity and manufacturing sectors has grown 10.9 and 6.1 per cent, respectively, while mining output is 1.9 per cent higher this August compared to August 1998. The manufacturing sector has grown 6.7 per cent during April-August compared to 4.2 per cent in 1998-99. However, the mining sector has shown a negative growth of 0.3 per cent in the April-August period, while electricity output for the same period has fallen from last year's 8.7 to 6.1 per cent.



Maharashtra loses top slot

But elsewhere, the sheen seems to be wearing off. Last fortnight, credit rating agency Crisil downgraded bonds programmes worth Rs2,564 crore floated by four special purpose vehicles (SPVs) of the Maharashtra government from A+(so) to A(so). The downgrade covers bonds issued by the Maharashtra Krishna Valley Development Corporation, Tapi Irrigation Development Corporation, Konkan Irrigation Development Corporation, and Vidarbha Irrigation Development Corporation. The new rating places Maharashtra's instruments one place lower than those of Gujarat. The two states earlier shared the top spot. In fact, just a year ago, Maharashtra was the only state in the high-investment grade category before Crisil downgraded it from AA-(so) to A+(so) in August 1998.

The state is now placed with Karnataka and Andhra Pradesh, while Gujarat enjoys the highest A+(so) rating for the Gujarat Electricity Board. The revised rating indicates adequate safety on structured obligations. The Maharashtra government has guaranteed borrowings worth about Rs13,000 crore by state utilities and SPVs. The downgrade brings into focus the state's fiscal condition, which is not too reassuring. According to Crisil, recovery in the long term depends on the government's willingness to implement revenue augmentation and fiscal reform measures. The strain on the state's finances is manifested in the Rs588-crore budgetary deficit as per 1999-2000 estimates, even after a net withdrawal of Rs2,300 crore from the cash balance investment account. The state has also not provided for a plan outlay of Rs586 crore. Crisil also expects a sharp rise in the state government's contingent liabilities to impact its finances in the future.

Sebi expands demat list

Paperless may become the catchword in the next millennium. The Securities and Exchange Board of India (Sebi) plans to include 96 more scrips to the list of compulsory dematerialised trading for all investors and 140 scrips for institutional investors. Sebi will go about the expansion in two phases — 29 November this year and 17 January 2000. By January, 200 scrips will be in compulsory demat mode for all investors and 500 for institutional investors. In the first phase 56 scrips will be made demat for retail investors. Of these, 23 will be from the A group of the BSE and 33 from the B1 group. In the second phase the list will be expanded by another 40 scrips for retail investors. This will include the remaining 33 scrips in the A group and seven from the B1 group, thus bringing the entire A group under compulsory demat trading.

3-year record for IT cos with IPO plans

It was a fortnight of hectic activity for Sebi, which announced several new norms in its market-reform mode. The watchdog has made it mandatory for infotech companies planning initial public offerings (IPOs) to have a three-year track record in IT-related businesses. The move comes in the wake of a large number of applications for IPOs by software companies. During April-September 1999, Sebi received applications from 21 software companies planning to raise Rs509.87 crore. This compares with just two applications to raise Rs25.65 crore during the same period last year. The decision could stem the flood of new infotech aspirants planning IPOs. The move was prompted by the recent trend of several finance companies changing their names to add words like 'infotech' and 'software' to raise money from the public. Companies unable to meet the new criterion can access the market through the alternate route of appraisal and financing up to 10 per cent by a bank or financial institution.

New norms for MF investments

The Sebi board has prescribed new limits for mutual funds' investments in group companies, equity, debt, and

unlisted companies. A mutual fund will not be allowed to invest more than 25 per cent of the net asset value (NAV) of any single scheme in the listed securities of group companies. At present, mutual funds are allowed to invest 25 per cent of the NAVs of all their schemes put together. Sebi has also made it mandatory for transactions with associates to be disclosed along with the half-yearly and yearly results. The regulatory authority has further decided to restrict investments in unlisted shares to a maximum 10 per cent of the NAV of closed-ended schemes and 5 per cent in the case of open-ended schemes. This is to ensure that funds are not blocked in illiquid investments.

GKW asked to lift lockout

The Bombay High Court has directed Guest Keen Williams Ltd (GKW) to lift the lockout at its Bhandup plant in Mumbai in effect since 18 January 1998 and given the company four weeks to resume operations. The company has also been asked to pay the workers their wages from 18 March 1998 in two equal instalments. The court has set aside an order by the industrial court which held that the lockout was legal. The company had contended that it was forced to declare a lockout as its workers were obstructing the removal of material and machinery from the Bhandup factory. The workers, however, alleged that the lockout was really an attempt to close down the factory since material was being continuously moved to GKW's Bangalore and Pune units. Delivering the judgement on two petitions filed by the Bhartiya Kamgar Karmachari Mahasangh and 19 clerical staff members of the company, the court said, "There is great substance in the contention of the petitioners that the management is trying to close the company under the garb of lockout."

Syndicate staff get long leave

Even as workers at the GKW plant prepare to get back to work, staff members at SyndicateBank are all set for a long vacation. The board of the Manipal-based bank has cleared a proposal to enable employees to take a three-year sabbatical from regular service. Under the scheme, employees will have the option to either quit their employment and realise their terminal benefits or resume service at the end of their leave. The leave period will be treated as leave with loss of pay. The bank has also approached ICICI, HDFC, and other term lending institutions and private sector banks for deployment of its surplus staff on deputation. Any employee of the bank will be allowed to go on leave with a lien on his job for a period of three years. Employees of the bank who are selected by the institutions or private sector banks will be entitled to a deputation allowance of 15 per cent over and above their present salary, which will be borne by the new employers. The bank has opted for such an approach to trim staff as a VRS would involve payment of a huge sum at one go, whereas this method staggers the cost of settling the employees' dues.

More Meridien hotels in India

At a time when global occupancy rates are slipping, there are still some who will go ahead and build more rooms. Take hotel chain Meridien International, for example. The international chain has embarked on an ambitious plan to set up another 17 hotels across the country. These 17 hotels, expected to come up in the next five years, will be in addition to the three existing Meridien hotels in the country — in Pune, Bangalore, and Delhi. According to Meridien, work has already begun on the Mumbai project, which is expected to be completed by the middle of next year. Meanwhile, the group has started renovation at its Delhi hotel, said to be one of the best in the Meridien chain, in preparation for the millennium celebrations.

Silverline mulls ADR issue

These days, if it's happening, it's in IT. Software services company Silverline Industries Ltd has drawn up plans to float a $75-million issue of American Depository



Receipts (ADRs). The company's board of directors has also proposed acquisition of the US-based Silverline Technologies for $46.25 million. The acquisition will be funded through a preferential allotment of 4.5 million shares at Rs445 each to Silverline Holdings Corp of the US, which holds over 51 per cent in Silverline Industries. In the second quarter ended 30 September 1999, Silverline Industries posted operating profit of Rs18.18 crore, while operating revenues were at Rs46.43 crore.

Aptech plans US shopping spree

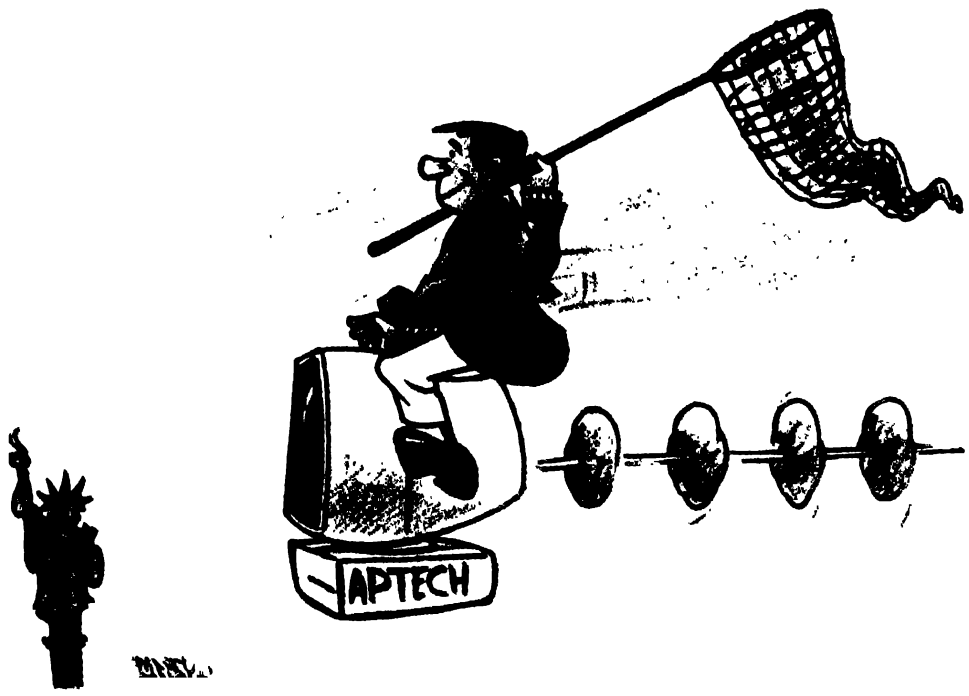
A big byte in the US. That's what the Rs227-crore Aptech Ltd is now looking at. The company is reported to be in talks to acquire three software companies in the US. Aptech, which has earmarked $25 million for the acquisitions, plans to clinch the deals in the next seven to eight months. The company has asked investment banker Warburg Dillon Read to help it in finalising the deals. The acquisition will be funded through a combination of internal accruals and borrowings. In March, the computer training and software company raised Rs117.25 crore via a private placement to institutional investors. The company, which has training centres in 20 countries now, plans to increase the number to 27 countries by the end of this year.

RPG plans big Bollywood foray

Call it a case of being star-struck. The RPG group is in talks with leading Bollywood producers for joint production of big-budget movies. Having remained content with producing small-budget art and regional films so far, the group has finally decided to aim for a bigger slice of the Bollywood pie. RPG is looking at a model whereby it will finance joint banner productions. Gramco Music Publishing, a subsidiary of the RPG-controlled Gramophone Company of India Ltd, will spearhead RPG's foray into big films. Formed in 1996, the subsidiary has so far produced six films. It recently produced the award-winning Shabana Azmi-starrer *Godmother*.

Bharat Shah signs JV with UK firm

And there are still others flocking to Bollywood. Diamond exporter and film financier Bharat Shah and the UK-based LMB Holdings, promoted by steel magnate L.N. Mittal have signed an agreement to float a joint venture Bollywood production house to be called Mega Film & TV Productions. The joint venture expects to finance and release 15-20 big films every year and has planned an outlay of Rs150 crore for the first year. All forthcoming films of Bharat Shah will now be produced under the new Mauritius-registered Mega Film banner. The joint venture has also worked out the details of distribution. While Shah's VIP Enterprises will get the rights of all theatrical releases in India, the rights for all overseas distribution will be vested in Eros International. Eros International is promoted by L.N. Mittal of Ispat International and Arjan and Kishore Lulla.



Gujarat Ambuja Cement net rises

It's a bonus for the festive season. Gujarat Ambuja Cements Ltd (GACL) has posted a 195 per cent rise in net profit for the first quarter of the current financial year. GACL's first-quarter net profit has soared to Rs50.1 crore from Rs17 crore in the corresponding period last year. The cement major has declared a 1:1 bonus by way of capitalisation of reserves. GACL's turnover has grown 16 per cent to Rs281 crore from Rs241.6 crore in the last corresponding period. But sales volumes have only gone up by 3 per cent. According to the GACL, the increase in net profit is on account of the cost-cutting measures undertaken by the company. GACL's total costs have come down from Rs1,501 per tonne to Rs1,262 a tonne. Major cost reductions have come from reduced power and fuel consumption, lower interest costs, raw material costs and consumables.

Jai Hind Bank profit up

The Jai Hind Bank has reported higher net profit for the 1998-99 financial year. At Rs1.06 crore, the bank's net profit is higher than the Rs1.01 crore posted last year. Deposits have gone up from Rs22 crore last year to Rs27 crore, while advances have risen marginally to Rs19.89 crore. The board of directors has recommended a higher dividend of Rs4.50 per share. The bank, which completes 50 years of operations this year, has reported a net worth of Rs7.04 crore as on 31 March 1999. ◆

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Chief Executive Officer
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Most Yule Catto companies across the world had standardized on one common ERP vendor When it was the turn of Revertex, Malaysia, a major specialty chemical company whose diversified interests flow into a myriad of industries, to select the right FRP, they decided to be daringly different They chose Ramco Ramco helped Revertex move away from legacy systems into an online, highly integrated and accurate management information system

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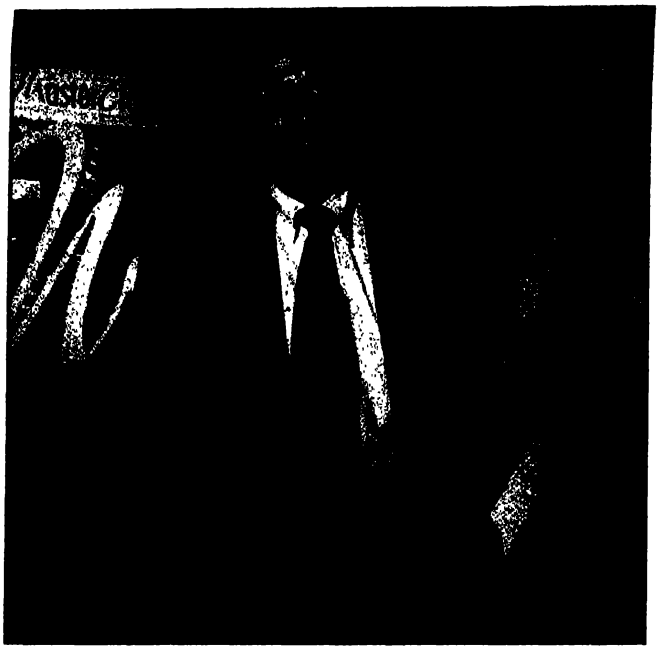
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Department of Electronics secretary Ravindra Gupta recently inaugurated Aptech's new software facility at Seepz, Mumbai. He was there on the invitation of Aptech's CMD Atul Nishar. The Seepz unit, which is the third such facility set up by Aptech solely aimed at software production, will focus on offshore development. The first was set up in the STP, Mumbai, last year, and the second focusing on e-commerce, in Bangalore earlier this year. "Aptech is positioned to make a mark in the software industry in the new millennium," said Nishar. Aptech is currently engaged in an exercise to identify acquisitions in the US market, with a view to extending and consolidating its reach. •

Tata Consultancy Services has launched the world's first object-oriented component-based software development platform, MasterCraft. The package of tools allows medium and large software developers to capture and classify knowledge as objects, allowing for the creation of very trim software applications, which will extensively reuse the individual components, thus saving tremendously on complexity and reducing the possibility of software failure. Releasing the package, TCS chief executive S. Ramadorai proudly acknowledged the role of Tata Research Design and Development Centre, Pune, which conceptualised the integration of TCS's software tools into an integrated package aboout two years ago. MasterCraft will compete in a marketplace dominated by market leader Rose, from Rational Corporation of the US. •



Promoting Bahrain as an investment destination has been Robin Marriott's main job since 1997, when he took over as the chief of the Bahrain Promotion & Marketing Board (BPMB). Attracting investments from India has been a thrust activity for BPMB. Marriott has been making regular trips to India and BPMB has even set up an office in Mumbai (its first outside Bahrain), which has achieved significant successes. "We recently got Tata Consulting Engineers to set up operations in Bahrain; the Oberoi group is setting up a $70-million hotel; and Videocon International is investing $200 million in a factory for TVS, washing machines, and refrigerators in Bahrain," says Marriott. Besides this, Marriott reveals that there are currently 27 projects by Indian companies involving a total investment of $500 million which have been approved by the Bahrain government and are awaiting clearance from various ministries in the Government of India. Marriott was in Pune last fortnight to conduct workshops and seminars for Indian businessmen to highlight the many advantages of investing in Bahrain. •



How would you like to create your own Website, without the help of any specialists? That's what Umesh Tibrewal, director, vSplash.com Ltd is going to help you do. Tibrewal has a new technology to offer – a package that enables you to create your own Website, minus the $70 registration fee. "vSplash is an IT enabled. It can be used by everyone from college students to business executives to create their own Web presence," says Tibrewal. vSplash is a design software which helps you select, through a number of combinations, your personal Website. Tibrewal has divided the product into three price clusters to suit various profiles such as business, fashion and lifestyle. "The idea is to let you build your own brand on the Web," says Tibrewal. For the sceptical, there is a 10-day free trial offer. •



At a time when mutual funds are once again the flavour of the month, Ashutosh Bishnoi, president and CEO of JM Capital Management Ltd, which has a total of Rs805 crore under management, came calling to Calcutta recently to hardsell a new JM Mutual Fund product — an open-ended dedicated gilt fund called the JM G-SEC Fund. Says Bishnoi: "We plan to mop up Rs400–500 crore in the scheme by the year 2000." The fund comes close on the heels



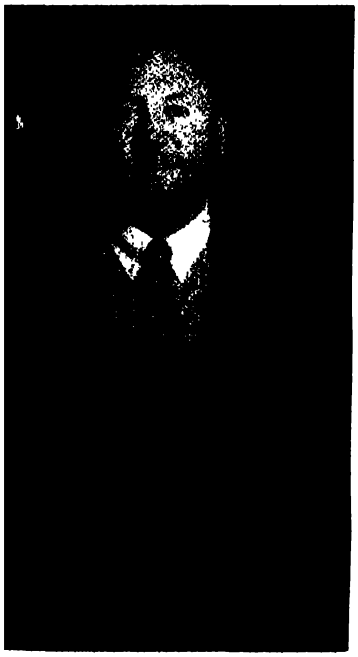
of a similar fund launched by the Unit Trust of India (UTI), and is targeting provident funds, which constitute a large market for gilts. Bishnoi says of the total target mop-up, about Rs100 crore, is expected to come in from the PF sector alone. The fund, which has three plans as part of the package, has no entry or exit load on all three plans. It will primarily trade in treasury bills and dated government securities and the minimum investment allowed is Rs5,000. •

Awesome! says Nitin Ahuja of India's potential to help his Dallas, US-based information technology company achieve its stated aim 'from visions to reality'. It is an adjective much favoured by Ahuja, president of $30-million Ahuja Technologies Inc (ATI), which provides data integration, data warehousing, and Internet solutions to global giants in the telephone, airline, insurance, consulting,



and other businesses like IBM, KPMG, and Southwestern Bell. Back in hometown Pune last fortnight, he finalised a tie-up with Ruksun Software Technologies to provide "the front-end software solution to our back-end services". The business alliance will enhance ATI's value-addition for its worldwide clients, and shore up revenues by $20 million in the coming year alone. "Ruksun is primarily a product development company," he explains. "Having their product to sell will give us an edge in our consulting service." ATI is the Y2K auditing agent for Merrill Lynch, has built a tax data warehouse for KPMG client J.C. Penney, and is currently creating a data mart and -mining solution for a leading financial services company with operations in Hong Kong, Tokyo, Singapore, London and the US •

Infinity-Sungard financial technology, a specialist in treasury management software, may not be a slow mover on the global platform, but it certainly is a late entrant into



India. The $1-billion software company forayed into India earlier this year, when it set up its office in Bangalore with just three employees. But it beat 16 global software companies to win the TimesBank mandate for providing real-time on-line risk management for the bank's treasury department. Andrew Ford, managing director for the Asia-Pacific region (excluding Japan and South Korea). "Infinity is the largest provider of trading and risk management solutions in the financial markets. Globally we have installed our software to over 500 top international banks like Citibank, Deutsche Bank, Bank of Tokyo, and the like. We've outlined a strong India initiative and the TimesBank deal just happened. In India we are hoping to acquire another 3–4 clients in the banking sector by the end of the current financial year and our earnings from India operations by March 2000 should be around $2–3 million," he says. •



Ronald J. Floto, group chief executive of Dairy Farm International, a $6.6-billion retailing conglomerate, was in Calcutta recently to sign a deal with RPG scion and Spencer & Company chairman Sanjeev Goenka for a 49:51 joint venture to expand India's largest retail store chain. Spencer, under the brand Foodworld, already operates 29 stores in south India and has recently expanded into Pune as the hub for western India. Goenka says there will be 50 Foodworld stores this year with average sales of Rs1,200 per square foot per month on a typical 4,000-sq.ft. format. Floto's company, which is part of the Jardine Matheson group of Hong Kong, is a major force in Southeast Asia. Foodworld is not bad news for the corner *kirana* shop, not yet at least. "In 30 years we have only taken 40 per cent of the grocery market in a country with strong entrepreneurship like Taiwan," says Floto. •



Cambridge Technology Partners (CTP), a $750-million American outfit, is a management consultancy that offers systems integration services that increase information flow, thereby improving productivity and value-creation. Among its success stories is Southern Company, the largest producer of electricity in America. CTP helped Southern Company develop new interactive products and services for residential and business customers. It has also assisted RS Components, Europe's leading distributor of electronic, electrical, and mechanical components, and Canon Computer Systems. CTP set up shop in India last year. It is presently headed by Subbu Iyer, who is responsible for business development and customer relationships in Asia-Pacific and the Middle East. "We are progressing well in India and our clients include Bharti Internet, ICICI, Godrej & Boyce, Sundaram Clayton, and Spice Telecom," he says. •



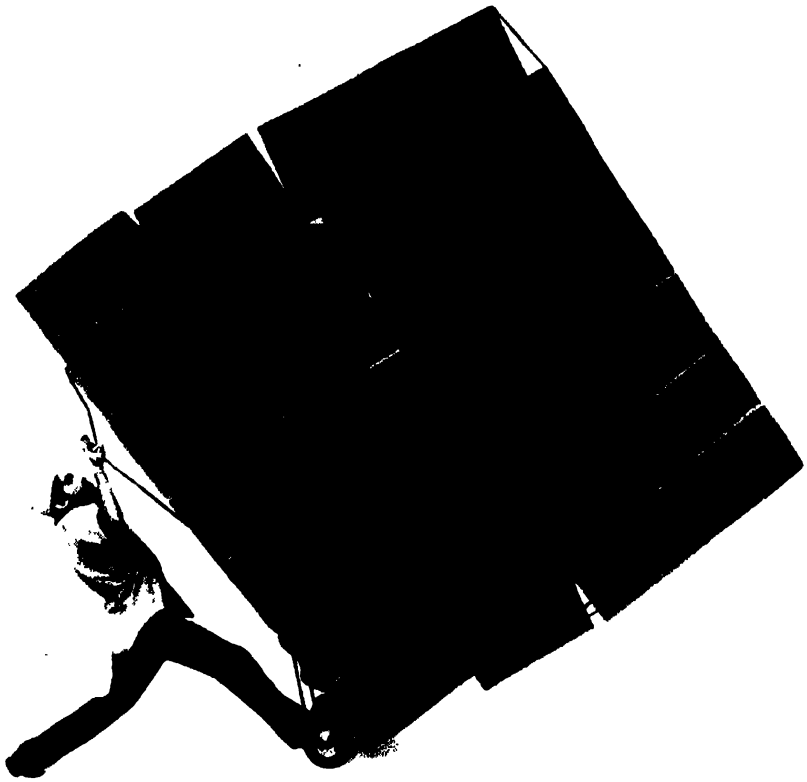
Indian Hotels and Health Resorts (IHHR) is a project set up to develop health resorts, spas, and city-centre luxury boutique hotels in India and the rest of South Asia. It is promoted by Gautam Khanna, who till recently was executive director of Oberoi Hotels and managing director of Mercury Travels. Its first property, in Narendra Nagar near Rishikesh, called 'Ananda - in the Himalayas' will be operational from mid-December this year. "The cost of the project is Rs44 crore. Fifty per cent is in the form of equity. The balance in the form of debt has been funded by Tourism Finance Corporation of India and banks," says vice-president Ingo R. Schweder. The project has 75 rooms. In the pipeline are two others — in Goa and Kerala. Both are expected to go onstream in 2001. Ananda - in the Himalayas expects to rake in Rs12-14 crore in its first full year of operation. •

Zarir J Cama, newly appointed chief executive officer of The Hongkong and Shangai Banking Corporation (HSBC), was pleased to announce the launch of their globally accepted credit card in India. "The card business is an important entry level product and allows us to expand our customer base. We have made huge investments in this business," was Cama's



comment on HSBC being the latest to jump onto the global credit cards bandwagon. The card is to be accepted at 100,000 merchant establishments in India and at over 16 million outlets around the world. HSBC's global card's USP lies in the fact that it is the first credit card to offer its customers access to their personal bank accounts through ATM transactions. Card-holders will also be able to access cash at over 5.30 lakh Visa/Plus and HSBC ATM machines in over 100 countries worldwide. Other features include a lost baggage insurance under which card-holders are entitled to a cover of $1,200 for gold card-holders and $600 for classic card-holders. •

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Steel springs back

Exports of high-value steel are coming to the rescue of the Indian steel industry as global prices firm up

"Out of the death valley, rode the steel men..."

No, not a ballad by Walter Scott but a signature tune, appropriate for the revival in fortunes of Indian steel companies. Death Valley is the name given by steel sector analysts to the steep dip in global prices. For example, hot-rolled coil (HRC) prices in Europe plummeted from $350 per tonne FOB in August 1997 to $185 in December 1998 and stayed there till the first half of 1999. However, much to the relief of the global steel industry, it is now climbing steadily. Today many companies are booking HRC at $300 and higher qualities at about $330 for year-end deliveries.

So what has led to this climb? Industry experts submit several reasons. One, of course, is the slow recovery in Asia and a healthy growth in Nafta economies. The other is anti-dumping measures against CIS and Japan. Today more than 40 countries have virtually banned imports from CIS, where some producers are now trying to export slabs instead of HRC. Similarly, Japanese producers are still facing a lot of problems in the US market. This has led to descent price levels in the US and European markets. However SAIL, which exported plates to US under distress conditions, is facing dumping charges as well.

"Our strategy is to realise high value as well as to make sure that we do not attract anti-dumping charges. It simply means moving up the value chain," says Jagdish Mehra, managing director of Essar Steel. "We have invested in technology that allows us to produce wide coils of even 1.6 mm thickness and better surface conditions due to 'hot skin pass' and oil finish." With the prices rising, Essar is finding exports very attractive and is putting its capacity utilisation in high gear. Exports, which used to hover around 35,000–40,000 tonnes per month, have been ramped up to over 90,000 tonnes in September. Today, in fact, Essar is looking at a 50-50 mix of domestic and international sales.

SAIL, which had a disadvantage when it came to exports because of its land-locked facilities, has also increased shipments from 5,000 to 16,000 tonnes per month, and Tisco has reached 40,000 tonnes from about 18,000 tonnes earlier. Clearly, exports have become the priority for Indian steelmakers. Companies that invested in cold-rolling and galvanising are also concentrating on these high-end products. For example the Jindal group, which hopes to produce about 1m tonnes of HRC this year, uses more than 550,000 tonnes of this for cold-rolling and galvanising — 400,000 tonnes destined for the domestic market and 150,000–175,000 tonnes for exports. "We are able to realise $450–500 in exports of hot-dip galvanised sheets depending on the thickness," says N.K. Jain, joint managing director of Jindal Iron and Steel Co. Ispat Industries, however, seems to be still concentrating on more run-of-the-mill HRC grades for exports; observers cite problems with stabilising the thin-slab caster as the reason for Ispat's not going in for exports of grades less than 2 mm thick.

Internationally steel capacity has shrunk, either owing to non-viability of some units during the downcycle or to mergers. For example, following the Thyssen–Krupp and Hoogovens–British Steel mergers, capacities in Europe considered redundant were closed down.

The party obviously isn't going to last forever. In fact, most observers expect the prices to go up for two years and then again not reach the dizzying heights of $475 a tonne as in May 1995 but a more sedate $350–400. There are two reasons for the lag between the demand and production — one, it's not easy to quickly ramp up capacity, especially if a blast furnace or some major facility has been shut off for some time. Two, the exporters from the Far East still face anti-dumping duties and have to convince the world otherwise. Luckily India has a fairly large domestic market and its industry is not that dependent on exports, so if the downswing has been used to cut costs and become more efficient, then Indian steel will not be as sensitive to global downcycles as the Far East.

• SHIVANAND KANAVI

Steeling of the price curve

All prices are in $	USA domestic FOB mill prices/mt	W. European FOB mill prices/mt	Typical export prices from India to US and Europe, including export benefits	Imports C&F Mumbai
Apr–June '98	352	328	318	272
July–Sept '98	336	307	282	272
Oct–Dec '98	300	266	239	227
Jan–Mar '99	293	234	214	[illegible]
Apr–June '99	318	244	206	216
July–Sept '99	327	[illegible]	246	216

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INDEX FUNDS

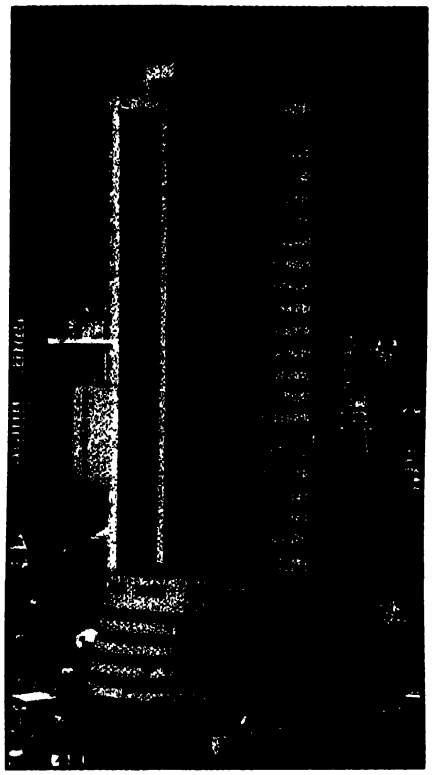
Making no sense(x)?

Where is the Sensex heading? Such a question will evoke an instant response from fund managers, merchant bankers, dealers, brokers, investors, analysts, etc. So popular is the Bombay Stock Exchange's (BSE) 30-scrip based index. What has escaped everyone's notice is that none of the mutual funds (with the exception of UTI) has an index fund.

In an index fund, money is put in all the stocks comprising the index in approximately the same proportion that they represent in the index. As a result the portfolio moves in tandem with the index. Obviously, the fund manager has no discretion, hence index funds, unlike other schemes, are called passive funds. An inherent risk in index funds is tracking errors. Put simply, returns generated by the fund might be less than that generated by the index.

Says Ajai Kaul, CEO of Alliance Capital: "As of now, there is no need for a passive fund (read index fund) because the Indian equity market is a stock-picker's delight." "Passive funds will not find favour because Indian investors like beating the index," observe some fund managers. Replies B.G. Daga, executive director of UTI, "Retail investors would like to have index stocks. Since prices of Sensex scrips are prohibitive, they would prefer an index fund." Adds Arvind Gupta, head of marketing at IDBI Mutal Fund: "It is not possible for fund managers to beat the index every time. How many funds can repeat the success they achieved recently in the current year? This explains the need for an index fund." Observes Divya Krishnan, fund manager at SBI Mutual Fund: "Studies overseas shows 80 per cent of mutual funds underperform the index in the long term." The latter's view perhaps underscores the need for an index fund. Then what is holding back mutual funds from offering this product?

Explains Gupta, "Mutual funds are introducing various products in the market gradually. For instance, money market mutual funds came in 1997." Adds Krishnan, "Three years back sector funds were not that popular. The situation now is different. It is just a matter of time before funds start offering index based schemes." K.V. Hegde, managing director of Canbank Investment Management Services, gives another angle. "Absence of hedging instruments and rolling settlement in the Bombay Stock Exchange, acts as a deterrent. The former helps in risk management and the latter imparts more liquidity."



UMESH GOSWAMI

Why does the much-celebrated BSE sensex not inspire index funds?

But is it not possible to launch a Sensex-based fund within the existing framework? Listen to some fund managers. "In order to replicate the index (returns from the fund should more or less be equal to that of the index) fund managers pour money in index funds in the last half hour of the trading session. Chances are that the required volumes of Sensex scrips might not be available, which would result in the fund underperforming." Daga of UTI feels otherwise. "All the Sensex scrips today are available in the demat form. Therefore volumes are not a problem." "UTI has a good network but all funds don't," counter fund managers. Another problem area they point out is with regard to transfer of funds. For instance, if an investor in Hyderabad puts money in the morning there is no guarantee it would be invested the same day. This lag is bound to affect the performance.

In conclusion, let's take a look at the performance of Master Index Fund (MIF) — UTI's open ended Sensex-based fund. MIF was launched in June 1998 with an initial corpus of Rs175 crore. According to UTI officials, MIF's first net asset value (NAV) was announced on 5 October 1998. The same stood at Rs9.04 and the Sensex was 2,878. A year later the Sensex has risen a little over 63 per cent to 4,709 and MIF's NAV too has increased at the same pace to Rs14.82. "Tracking errors inherent in index funds, is negligible in MIF. As a result, the appreciation of NAV is the same as that of the Sensex," say UTI officials. A success story? It would seem so but why has it not inspired similar index-based funds? It is clear that there are no takers for the country's stockmarket barometer — Sensex.

• KRISHNA KUMAR C N.

H.K. FIRODIA AWARDS

Recognition for researchers

Come October every year and a number of top-notch scientists are flown down to Pune and presented the H.K. Firodia Awards for Excellence in Science and Technology. The Firodia Awards are the highest cash awards in the country for scientists, currently with a total of Rs5 lakh given to three awardees — Rs2 lakh each to the top two scientists and Rs1 lakh to the third.

Arun Firodia set up the H.K. Firodia Foundation in 1996 soon after his father H.K. Firodia's demise on 1 October 1995 and instituted the Firodia awards, which he felt was the best way his father would like to be remembered. The late Firodia, founder of the Rs1,000-crore Kinetic group of companies, was a great proponent of science and technology. Every year since 1996 the awards have been given to leading



The winners (centre) at the awards function

Indian scientists with world-class achievements to their names.

Some of the recipients of the Firodia Awards during the last three years include A.P.J. Abdul Kalam, C.N.R. Rao, Anil Kakodkar, and R. Chidambaram (of Pokhran-II fame). This year's recipients were K. Kasturirangan (chairman, ISRO), M.M. Sharma (former director of the University Department of Chemical Technology, Mumbai), and Paul Ratnasamy (director, National Chemical Laboratory).

The awards were presented at a glittering function in Pune by M.S. Swaminathan, the country's leading agricultural scientist and the father of the Green Revolution in India. Swaminathan was recently acclaimed by *Time* magazine as one of the most influential Asians of this century and one of the only three from India, the other two being Mahatma Gandhi and Rabindranath Tagore. The recipients of the Firodia Awards are selected by an expert panel which also includes distinguished scientists like R.A. Mashelkar and Vasant Gowariker, who too were present for the awards ceremony. So it was a veritable galaxy of star scientists who gathered at Pune for this annual event.

Prof. M.M. Sharma, has the distinction of being the first Indian chemical engineer in this century to become the Fellow of the Royal Society, London, a rare international honour. He has also taught eminent scientists like R.A. Mashelkar, Mukesh Ambani, and Anji Reddy, who studied under him at UDCT. Today Sharma is not only consultant to all the leading Indian petrochem refineries but his expertise is also sought by global giants like Shell, Mobil, Amoco, and DuPont.

Accepting his award, he lambasted the Maharashtra state government for its total apathy towards research institutions. "The most recent example is when General Electric of the US wanted to set up a huge research centre in Pune with 1,000 scientists, making it the largest research set-up in India. When top GE officials came to visit Pune for a survey there was no government official to even receive them at the airport and they were left to fend for themselves. They then went to Bangalore and Hyderabad, where the respective state governments literally rolled out the red carpet for them and eventually Bangalore was selected. Thus Pune lost out on a great opportunity because of the sheer apathy of the state government," he complained.

K. Kasturirangan, father of Indian the IRS and Insat series of satellites, exhorted Indian private companies to come forward and participate in India's space programme. "Already 500 big and small companies are partners of ISRO in the space programme but there is a huge scope for more companies to join us in our efforts to exploit the international commercial space market, which is worth $98 billion annually," he said.

Paul Ratnasamy is known as 'Mr Catalyst' in the scientific world because he has invented several important catalysts which are now used by leading chemical companies all over the world. He turned India from a net importer of catalysts to a net exporter of these hi-tech chemicals, which are required in every chemical factory to produce fertilisers, petrochemicals, pharmaceuticals, and what have you. "Private Indian companies must invest more in R&D if they are to survive global competition," he said. "While pharmaceutical companies the world over invest 12–15 per cent of their turnover in R&D, in India the average investment is abysmally low at 2–3 per cent of sales. This must change and Indian industrialists must realise that technology is proprietary and unless they have technology they can lose management control of their companies to multinationals."

What the award winners say is indeed an eye-opener, but whether the powers that be wake up to reality is the big question!

♦ ROOP KARNANI

DARJEELING BRAND

A bitter battle

After 30 years of uninspired marketing, tea producers in Darjeeling are finally waking up to the value of the Darjeeling brand. The Darjeeling Planters Association (DPA), fed up with the surge of spurious Darjeeling tea in world markets, recently worked out a scheme along with the Tea Board, to ensure that nothing but the genuine item would, in future, be marketed as Darjeeling tea. This would not only ensure that the Darjeeling name would always remain synonymous with quality teas but also weed out unscrupulous tea packagers.

A premium orthodox item, Darjeeling tea is known the world over for its unique flavour and light liquor-like effect. These qualities are due to the environs in which the tea is grown. One of the most expensive teas in the world, the Darjeeling label has been indiscriminately appropriated by unscrupulous marketeers around the globe.

The Darjeeling production is around 10 million kg a year. However, tea sold

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fraudulently under the Darjeeling name amounts to about 50 million kg, say tea packeteers. This figure is not surprising considering that tea from countries like Sri Lanka or Kenya has for decades been sold as Darjeeling tea. The Tea Board had in the mid-1980s tried to stop misuse of the Darjeeling name by introducing a special logo. However, the lack of suitable controls rendered this move ineffective.

Now, WTO and globalisation has led to a fresh attempt at reining in this malpractice. The DPA strategy involves a scheme of certification which is thought to be the most judicious by Darjeeling producers. Says Ashok Lohia, chairman of the Association and a Darjeeling producer: "The scheme is a result of the government's decision to protect the Darjeeling tea industry. We need to define Darjeeling tea afresh so that it satisfies requirements for protection under the TRIPS agreement."

"Redefining Darjeeling tea in this case means basically plugging the earlier loopholes which had helped the spurious marketeers," says Sanjay Bansal of Ambootia Tea. This is the first time any Indian product has sought protection under WTO regulations which provides for goods, including agricultural and food products, which have an identity or exclusivity based on its geographical location or identity.

While MNCs aggressively protect their brand into which they have sunk millions of dollars, producers or manufacturers of products renowned by the place where they are made or grown, are also fighting lawsuits in every country. Havana cigars, Scotch whisky, Champagne, Burgundy or Chartreuse are products instantly identifiable with their locational origins. Closer home, we have Pashmina or Cashmere, Kolhapuri chappals or Alphonso mangoes (besides, of course, Darjeeling tea) which are much in demand worldwide.

Unlike their global counterparts, Indian producers have never bothered to fight for their rights of exclusivity. Manufacturers of Scotch whisky have around a hundred cases (three of which have been filed in India) pending in several countries worldwide, while Champagne producers are engaged in a similar activity. Both Champagne and Scotch whisky are premium products which derive their exclusivity from their place of origin.

DPA has filed for registration of the Darjeeling mark with the trademark authorities both in India and the UK. While legal experts say that registration for such products based on geographical indication alone may be difficult or take time, protection of the names of products which owe their existence to the place of their origin should not be a problem, provided they are considered premium products. Take the Basmati case. The term Basmati refers to rice grown in the foothills of the Himalayas.



GOUTAM CHATTERJI

Bansal (L) Lohia have an aggressive strategy

However, the US rice company which brought out the brand Texmati, contended that Basmati was a generic term referring to a particular type of rice which could be duplicated elsewhere. Champagne, Scotch whisky and now Darjeeling manufacturers emphatically maintain that the product which owes its name and existence to a certain region cannot be duplicated elsewhere. Indeed, the international community has been trying for long to develop a legal framework for protection of geographical indication or appellation as a type of intellectual property right.

Manufacturers of such products which owe their equity to the name of the place, are all for such protection without which they feel that the brand value of the name gets diluted or finally erodes. Feels Lohia, "If the DPA can actually, through its certification scheme, check the proliferation of spurious Darjeeling tea in the market, it would result in major gains for the Darjeeling tea industry. This would enable the industry to begin making profits changing its currently loss making position." At present, few of the Darjeeling producers make money barring a handful. Once the Darjeeling name is protected producers would be tempted to invest in their gardens as it would fetch improved prices.

"DPA is pressing for the certification scheme, as without regulatory powers it would be impossible to maintain a control on the quality or quantity of tea that goes out of the district," according to Bansal. The scheme should be in place in the next three-four months, now that the election is over. Lohia says this will be a final document of reference for those in the trade. The certification to be issued by the DPA would not just indicate the source of the product (to prevent any counterfeiting), but a watchdog body under the Tea Board would check the quality and quantity of produce in the gardens. Additionally, the certification would help in tracing packers, blenders or dealers and the quantity of their offtake as every importer or dealer of Darjeeling tea particularly within the European Union has to be mandatorily registered with the Tea Board.

How far the tea producers would succeed in creating an effective infrastructure for all the aspects of policing remains to be seen. With computerisation, it should not really be a problem, says Lohia. But for the Darjeeling tea industry where costs are heavily subsidised and prices more often than not unremunerative, the need to protect its niche market is imperative. With the controls in place, Lohia estimates a three-four fold increase in turnover. At current turnover levels of Rs200 crore annually this could mean gains of about Rs400 crore in the longer run, particularly if there is a shortfall in the crop. It is to be hoped that the certification scheme works, to ensure at least that the consumer at the end of the spectrum gets a taste of the real Darjeeling tea.

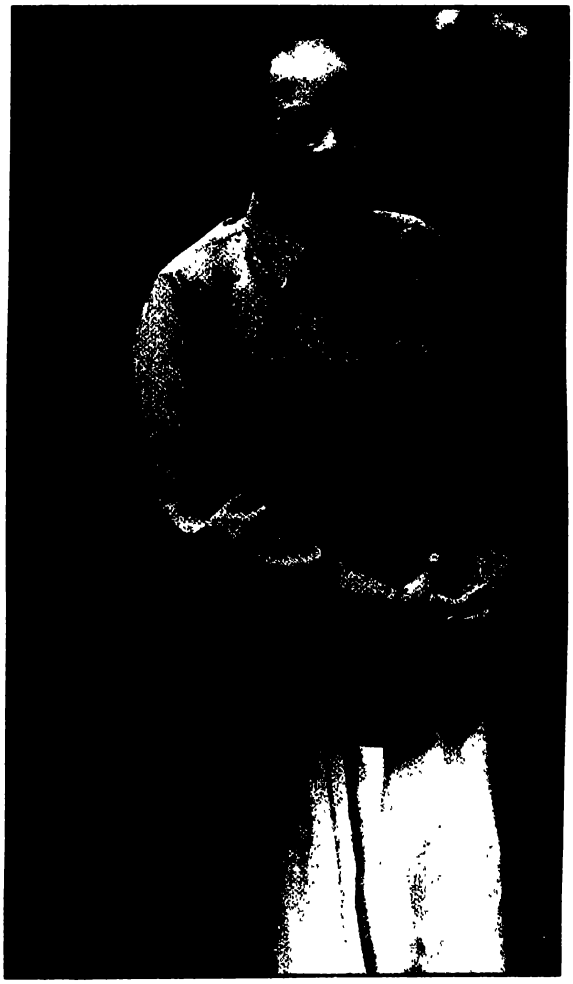
◆ MADHUMITA BOSE

Craving for more FDI

The government is clearly looking for enhanced foreign investment flows to bolster the economy

Every government of this decade has shown a great deal of enthusiasm in welcoming foreign direct investment (FDI). The newly-formed Cabinet of the BJP-led coalition is no exception. From day one, the prime minister and his team have been promising a slew of measures that would blow in gusts of FDI.

Leading the 'hail FDI' brigade is Murasoli Maran, who has been given charge of the heavyweight ministry for commerce and industry. On his very first day in office, the minister announced that he was all for dismantling the Foreign Investment Promotion Board (FIPB) which, he indicated, was clearly incapable of fulfilling the responsibility entrusted to it. Maran expressed anguish that the FIPB had actually overseen a decline in FDI coming into the country, from the peak of $3.4 billion in 1997-98 to $2.3 billion in 1998-99. According to senior FIPB officials, the key inhibiting factors have been the international investment sanctions imposed on India after the Pokhran nuclear tests in 1998, as well the decline in FDI inflows from Southeast Asia following the economic crises there around the same time. However, the new political dispensation in New Delhi is clearly set for a surgical strike against the FIPB itself.



Maran's views indicate a fresh look at FDI

Maran's views indicate that a drastic transformation of the FDI regulatory apparatus is imminent. He has called for a "drive for the removal of all stumbling blocks that obstruct smooth inflow of foreign investment". Central to his vision is the opening up of all sectors to 100 per cent FDI projects, barring a few which could be put on the negative list. Currently, the government has an elaborate scheme of several lists with differential limits for various sectors. The commerce and industry minister has promised other initiatives for simplifying industrial laws and regulations and making them more conducive to FDI. His plans include synchronisation of the industrial laws of the Union and state governments, streamlining of multiple clearing authorities, and establishment of the long-promised single-point interface between foreign investors and government machinery.

Indian policymakers have made a habit of such promises regarding foreign investment for some time now. Maran's views about FDI, as well as the FIPB, are also well known; he had voiced most of them during his earlier stint as industry minister in the United Front coalition government just two years ago. This time, his inclinations are backed by some very recent initiatives of the erstwhile caretaker government.

The newly-formed Foreign Investment Implementation Authority (FIIA) met for the first time on 29 September. Prime Minister Vajpayee's previous government had given the FIIA the task of cutting through the sloth that had hogtied the FIPB. The FIIA has begun its work aggressively. It has come up with the idea of setting up troubleshooting fast-track committees (FTCs) in each ministry whose decision-making authority impinges upon incoming foreign investment. These FTCs will be responsible for sorting out any problems, and accountable for any delay or obstruction in the way of approved FDI projects, says a senior official associated with the FIIA. The FTCs will comprise representatives of Central government departments and agencies, along with their counterparts in the states. Very often, FDI projects suffer due to Central and federal procedures working at cross-purposes, and smoothening the road on this ground is the specific goal of the FIIA.

To impart an initial velocity to this initiative, a calendar for regular reviews and consultative meetings has already been decided for FTCs of various infrastructure sectors. The schedule has been communicated to general representative organisations of industry as well as sector-specific bodies in order to elicit a full picture of impediments to FDI in the country. According to FIIA officials, the consultative meetings will enable them to identify simplification of FDI-related procedures at the Centre and the states, and establish a timetable for implementing projects in each infrastructure sector.

The government is also toying with

more novel ideas concerning FDI. The most remarkable of these relates to investments by the so-called widely-held funds, which are proposed to be made totally independent of the existing sectoral caps for FDI. Through this proposition, the government hopes to tap overseas mutual funds, American Depository Receipts and Global Depository Receipts. Indian firms do have access to these forms of investment currently, but through severely circumscribed channels of government regulation and permission, and within a 30 per cent ceiling for portfolio investments. Now, the industry ministry has circulated a paper recommending that domestic companies be allowed to garner such investment through directly negotiated deals. The Union finance ministry has reportedly endorsed the proposal.

Encouragingly for the government, its push for enhanced FDI flows is backed by leading representative organisations of trade and industry. The CII leads the pack, even though it is also greatly concerned about 100 per cent subsidiaries of MNCs (a concern shared by Maran, as well). Yet, just as the new government came to power, CII unveiled a seven-point agenda to enhance FDI inflows. One of the recommendations is that the list of items reserved for the small-scale sector be cut down drastically in order to open up many of these reserved avenues for FDI participation. The CII has advocated that this radical measure be taken up in an extremely careful and calibrated manner, even while asserting that this would go a long way in boosting foreign investor interest in India. Alongside, the CII has suggested that many of the PSUs referred to the Disinvestment Commission be lined up for an ambitious programme of strategic sales to foreign private investors. The CII agenda has also recommended comprehensive rationalisation and simplification of these laws so as to encourage "flexibility, productivity and customer orientation".

Such views are currently in favour in many corridors of the Central government. All its predecessors have looked upon FDI as a valuable resource. But the present BJP-led coalition is

services

more inclined to it than all others. Its own investment capabilities are hamstrung by a non-starter disinvestment programme, a stagnant rate of public savings, and increasingly glaring revenue shortfalls for the current financial year. The interest groups represented in its coalition also prevent the BJP-led government from significant additional resource mobilisation such as fresh levies on Central taxes, or reducing subsidies. FDI seems to be a very important panacea for industrial revival.

This thinking is also in line with current international economic wisdom which has come to see FDI as the most vibrant source of international capital resources available to developing countries in particular. In 1998, global FDI flows increased dramatically by 39 per cent to reach $644 billion. Most of these, nearly $460 billion, were trans-country investments within the developed countries themselves. Yet, nearly $184 billion, some 26 per cent of the total figure, went to developing countries. India's share, at $2.3 billion, was a very thin slice of the cake, and the government has appetite for far more.

Even in the initial days, the new government has received several assurances that a conducive policy programme could get more FDI on its plate. Among them is a US embassy survey on American companies in India. The survey, covering 1,184 American MNCs operating in India, anticipates that these companies will double their investment in India by 2003. Embassy officials are confident that a proactive reform of FDI regulation would boost this further. The timing of the survey is significant, with president Clinton's visit to India scheduled for the early part of next year. Sources reveal that the presidential delegation will include an unprecedented number of businessmen and the number of MoUs signed in India by US-based MNCs around that time will be held as an indicator of the new warmth of Indo-US ties. A drastic reform of FDI regulation is finding a real political justification as well within Prime Minister Vajpayee's new Cabinet.

• ANUPAM GOSWAMI

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BRIJ KHINDARIA

The author is an international columnist for Business India

Uncondonable lapses

Internationalising the Kashmir issue has meant that it has irrevocably slipped out of India's hands

The military coup in Pakistan and Washington's soft reaction present more potentially insurmountable troubles than opportunities for Vajpayee's new government in its handling of Kashmir, Pakistan and the United States. When it comes to Pakistan and the US, our normally clever officials and intellectuals labour like tired rats on a treadmill in a cage. They just cannot break out of the box of perceptions they created several decades ago. They think that the Kargil victory has brought them closer to Washington and are trying to promote India vigorously as America's partner in the fight against terrorism.

At the UN and in the US, Jaswant Singh and other Indian officials are currently arguing that the real problem in Kashmir is Pakistan-sponsored terrorism. They insist that the UN and US should not interfere in the Kashmir issue because that terrorism is an internal matter for India. They demand that the UN and US put extreme pressure on Pakistan's generals to stop sponsoring the terrorists.

These Indian arguments are disingenuous, treat the Americans like simpletons and stick India's head into sand to avoid looking at reality. The reality is that the people fighting inside Kashmir against India are not terrorists. They are Pakistani irregulars who are part and parcel of Pakistan's armed forces. The truth of this is borne out by the fact that the Pakistani army chose to launch a coup rather than stomach the insult to it caused by the Kargil withdrawal.

Pakistani irregulars occupied one-third of Kashmir in 1948 because Delhi pretended they were tribesmen without a central command. Then, instead of dealing with the matter, India went to the UN, a move so disastrous that we are still paying its blood price. Now, we are repeating that mistake. India is again insisting that Pakistan is not at war with India, it is merely supporting terrorists. Delhi wants the UN to put pressure on Islamabad to stop that support and has asked the US to treat it as a partner in the fight against world terrorism. The effect of these requests is to internationalise the Kashmir issue irrevocably. Of course, the US will take India as a partner in its fight against international terrorism, but, as usual, Washington will be in charge, not Delhi.

Unfortunately, at the UN general assembly this year, India has again internationalised the Kashmir issue and tied its own hands by insisting that what is happening in Kashmir is terrorism, not a continuous low-intensity war with Pakistan. It has also loudly admitted to the entire world that it cannot handle that terrorism by itself. At the same time, it is crystal clear to everybody that a cross-border war with Pakistan cannot be allowed because of the spectre of nuclear conflagration. Therefore, interference by the US and the UN is now unavoidable.

In effect, establishing peace in Kashmir has moved out of Delhi's hands almost completely. With a military dictatorship in Islamabad, Delhi has become even more powerless to create peace in Kashmir through its own efforts. A military solution is not possible, while meaningful negotiations with Pakistan's generals to obtain withdrawal of Pakistani irregulars in Kashmir are out of the question for the foreseeable future. Simply maintaining status quo and preventing an escalation of the terrorism inside Kashmir will require enormous international pressure on Pakistan's generals, who will naturally try to tie down as much of the Indian army inside Kashmir as they can.

In any case, judging from the tough attitude of the UN and the US regarding the independence of East Timor, it is very unlikely that Pakistan will ever be put under sufficient pressure without the promise of a fair referendum in Kashmir for independence. Non-governmental lobbies, which are very influential now, will also insist on ascertaining the wishes of the people of Kashmir.

Restoration of a civilian regime in Islamabad will not help because it will be too frightened of the generals to change the policy towards Kashmir. To make matters worse, India has nothing to give to the US in exchange for controlling the generals other than becoming the vassal of American goals and methods in geopolitics and the fight against world terrorism. For Washington those terrorists are Islamic fundamentalists and the great fear of Christian America is that Islam will destabilise all of Central Asia. If Vajpayee becomes truly involved in America's fight as part of his policy to halt Pakistan's interference in Kashmir, how will he prevent Hindu radicals from tarring India's own Muslims with the same brush as the Islamic fundamentals? Opening that Pandora's Box will be catastrophic for India. •

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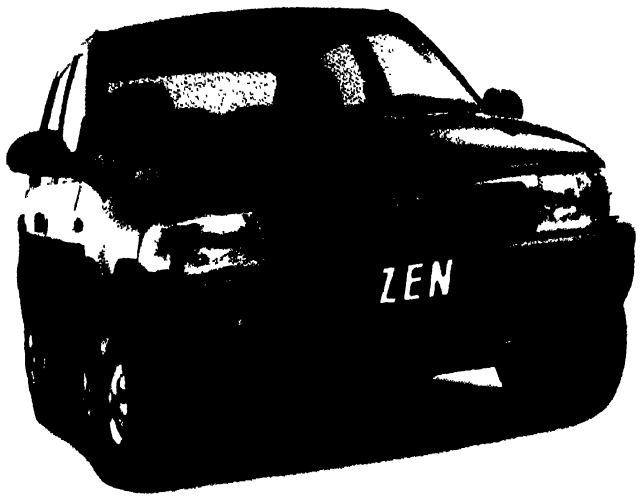
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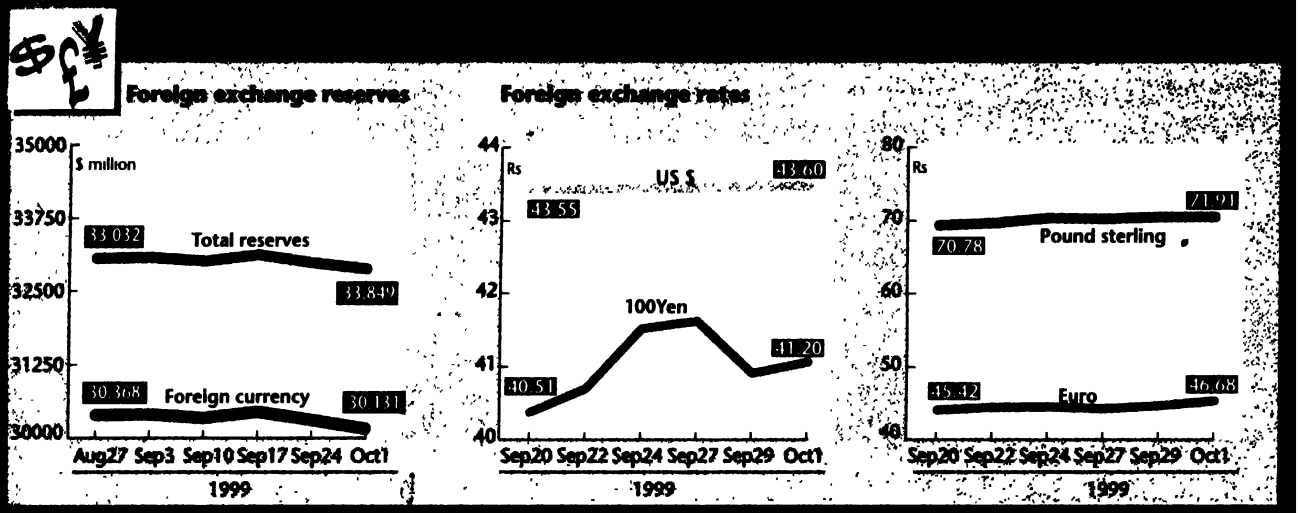
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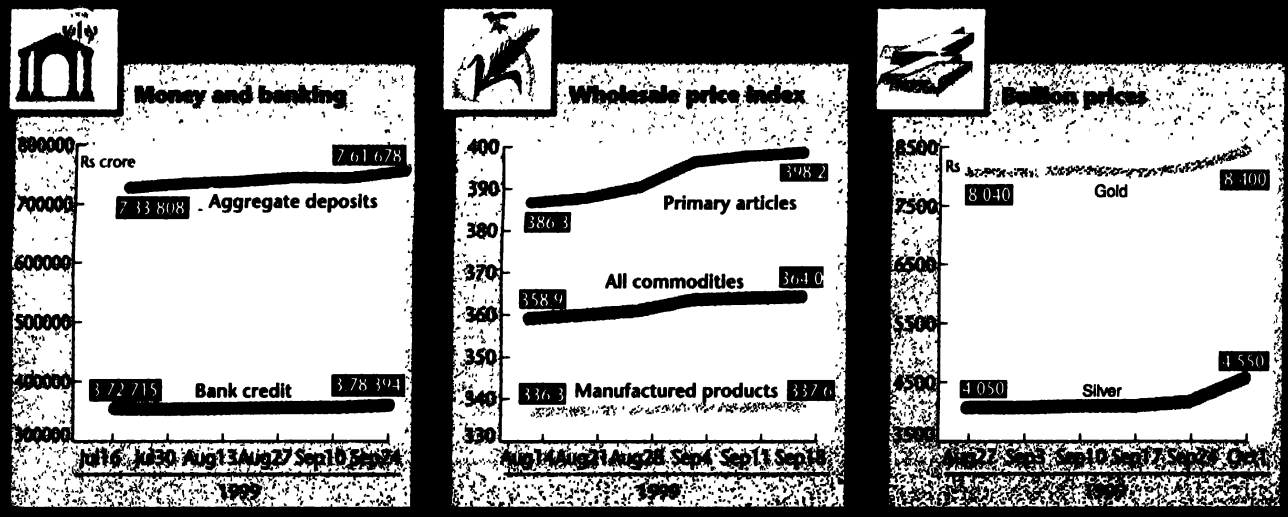
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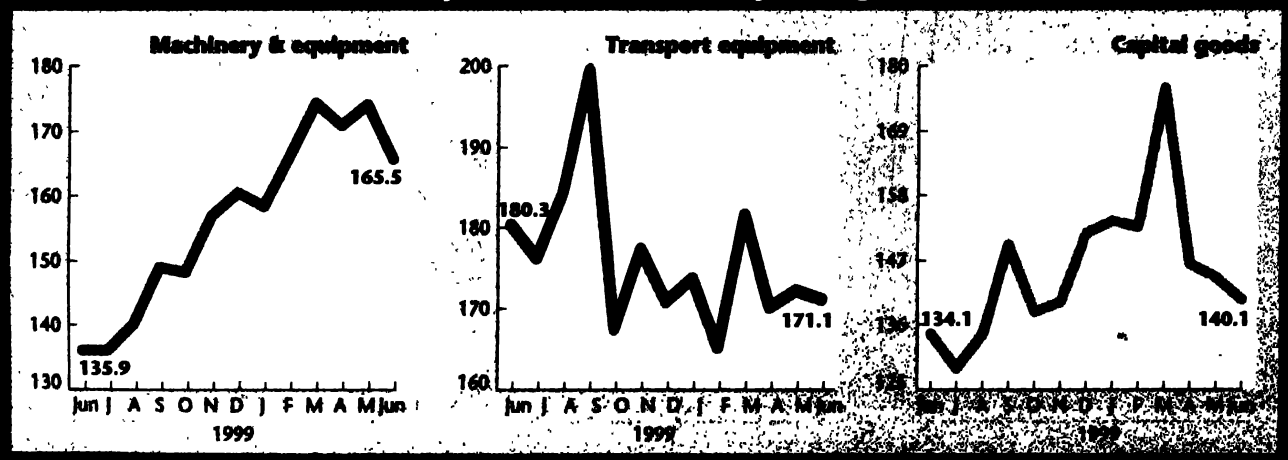
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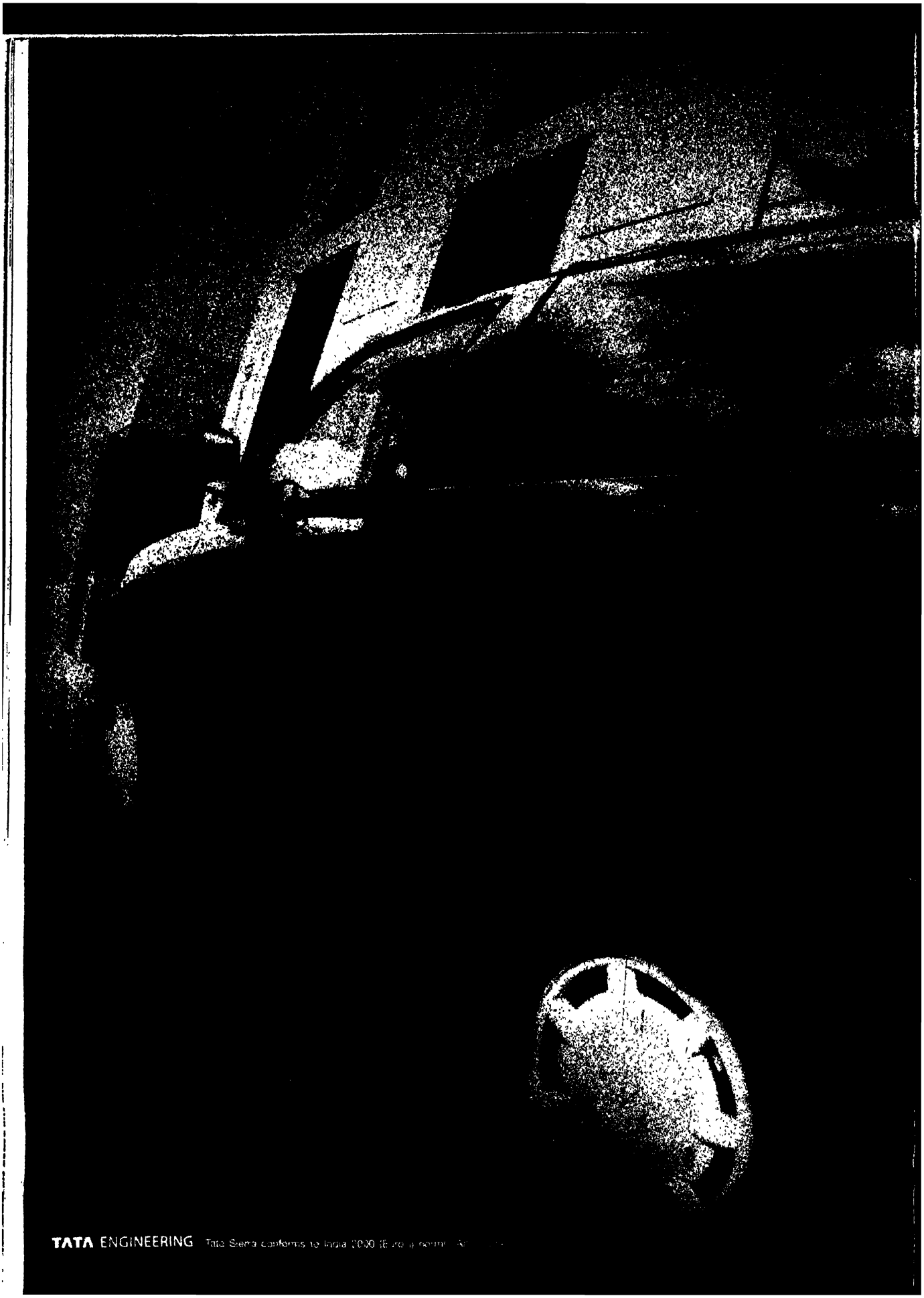
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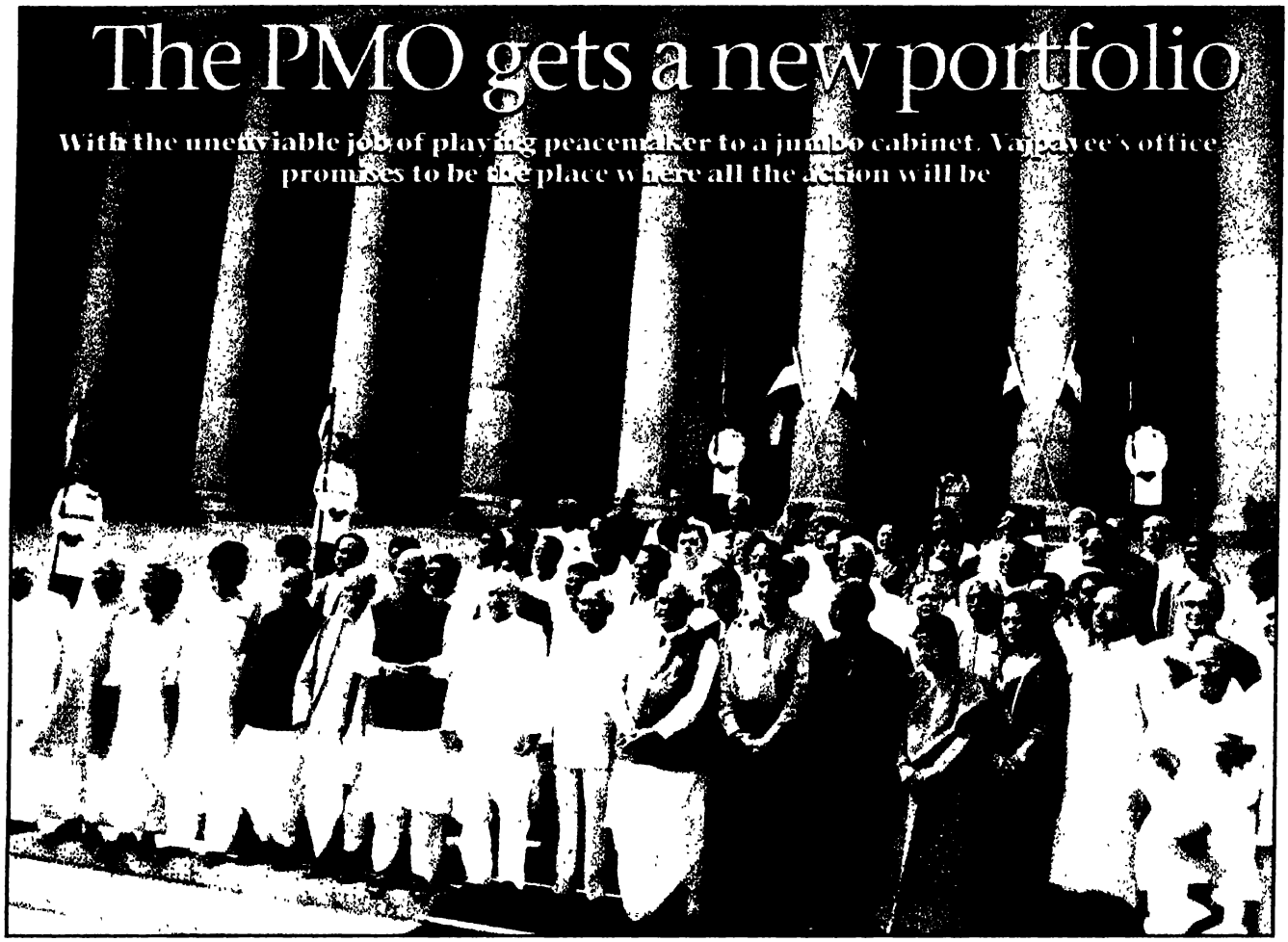
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Chandigarh	S.C O. 198-200, 3rd Floor,Sector 34-A, Chandigarh-160 022.	(0172) 604412	(0172) 667652	mittal@chg.bgfl.sprintsmx.ems.vsnl.net.in
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Indo Asyan / 99


FIRMLY IN THE SADDLE!
BY PANJU GANGULY
NDA GOVT.
'99

The PMO gets a new portfolio

With the unenviable job of playing peacemaker to a jumbo cabinet, Vajpayee's office promises to be the place where all the action will be



The forecourt of the Rashtrapati Bhawan is normally used for holding functions to welcome visiting heads of state. But in 1990, Chandrashekhar decided to celebrate his ascent to power by organising the swearing-in ceremony of his council of ministers there. Fresh from his triumph in deposing V.P. Singh, the ageing 'Young Turk' of Indian politics was under the illusion that what he had achieved had the approval of the nation. Chandrashekhar's acolytes claimed that the event, signifying his formal ascension to the Prime Minister's Office (PMO), would attract thousands of admirers and he just did not have the heart to turn them away. A lesser place in the Rashtrapati Bhawan just would not do.

Almost a decade later, Atal Behari Vajpayee also decreed that his swearing-in ceremony be held in the forecourt of the presidential habitat. But his reasons for this were not as grandiose as those put out by his predecessor. Pure logistics dictated the choice of this venue over the numerous ornate-and-mahagony halls in the Rashtrapati Bhawan usually used for the purpose. For instance, a record number of 70 ministers were to be administered the oath of office and secrecy. And as many as 24 parties were joining hands to put the new government in place. Representatives of the participating political parties, family members of ministerial aspirants, and the sundry VIPs would themselves constitute more than a handful.

The open air swearing-in ceremony of Vajpayee's council of ministers lasted almost two hours. It proved to be a test of the prime minister's physical endurance, if not of his patience. Soon after the last minister had taken his oath and the photo-ops had been dispensed with, the cavalcade of vehicles carrying Vajpayee made a dash for the PMO in South Block. The cavalcade whizzed past Gate No. 6, where Brajesh Mishra and N.K. Singh, the two senior-most bureaucrats in the PMO, were waiting with bouquets to welcome Vajpayee on the first day of his third term in office. For the assembled cameramen, it was a missed photo-op. Sensing that something might be amiss, Mishra and Singh almost ran after the cavalcade which stopped a short distance away. The prime minister ambled into the building accompanied by his private secretary, Shakti Sinha, and SPG personnel. In the cool comfort of his office, he allowed himself the luxury of a soft drink. And then it was back to business.

It is the PMO which Vajpayee will turn to in the coming days as he attempts to steer the country, and charts out a purposeful economic agenda for the National Democratic Alliance (NDA) government. As the

BJP's K.N. Govindacharya points out: "The electorate's verdict is directed towards speedy development and fulfilment of the basic needs of the people. There can be no two opinions on this." Vajpayee himself has set three goals for his government on the economic front. First, the need for hard decisions to tackle the fiscal problems Second, carry out programmes to meet the basic needs of the people. Third, usher in the second generation of reforms. With such a wide and diverse array of parties cobbling together a government, the PMO's role in co-ordinating the various sectors of activity cannot be underestimated.



Vajpayee will have a lot of talking to do in the days to come

A retired bureaucrat, who functioned as a point-man of the reforms process in the Narasimha Rao administration, observes: "The PMO could again well become the new powerhouse of economic decision-making in the coming days, with the fulcrum shifting across New Delhi's Raisina Hill from the North Block to the South Block." BJP ideologues, sitting at the party's Ashoka Road headquarters, agree but point out this would not necessarily be a reflection of the merits of those who man the finance ministry. It would be a necessity born of the exigencies of coalition politics.

Take the case of Murasoli Maran, the DMK's heavyweight representative in the Union council of ministers. Maran was a candidate for the finance minister's job, in keeping with Tamil Nadu's tradition of producing the maximum number of finance ministers. For reasons of policy, Vajpayee was keen to ensure continuity insofar as the Big Four (L.K. Advani, Jaswant Singh, George Fernandes and Yashwant Sinha) were concerned. So, Vajpayee invited M. Karunanidhi for dinner and explained to him that while he appreciated and understood the critical nature of the DMK's presence in the NDA as well as the intrinsic worth and seniority of Maran for the finance minister's job, there was little he could do to disturb Sinha from his post. Sinha had acquitted himself well in the past 18 months, establishing himself as a man who had come to grips with his job in international financial circles. The PM offered the commerce and industry portfolios to Maran, with the underlying assurance that henceforth the PMO would be the co-ordinator of all economic decision-making. In other words, Maran would be an equal, not an adjunct to the finance minister. The argument worked with Karunanidhi emerging from the meeting to remark: "We want finances for our state and not finance (portfolio)."

Similarly, there was the problem of adjusting key economic ministers like Sharad Yadav (civil aviation), Ram Vilas Paswan (communications) and Mamata Bannerji (railways) *vis-a-vis* Yashwant Sinha. Yadav and Paswan are known to be highly individualistic. But they had played a key role in shoring up the BJP's prospects in Bihar and decimating Laloo Yadav. They just could not be ignored. Besides, assembly elections in Bihar are due early next year and the "usefulness" of the Janata Dal (United) in the BJP's game plan of capturing this crucial northern state just could not be underestimated. This was the main reason why the prime minister had reluctantly agreed to drop senior Karnataka leader Ramakrishna Hegde from his council of ministers to accommodate the jumbo Bihar component.

But left to themselves, Paswan and Yadav have the potential of running berserk and, given their stature in the NDA, there is no way Sinha can keep a check on their actions. Hence the need for a "super

finance minister", a.k.a. the PMO.

And then there is Mamata Bannerji. The BJP leadership sees her as a long-distance runner and feels it has everything to gain by backing her in spite of her relative inexperience. The BJP sees the fiery leader as a potential replacement for Jyoti Basu as the chief minister of West Bengal. Elections to this withering Marxist bastion are due in 2001 and, given the declining vote percentage of the Left in the state, the BJP feels that the time is ripe to press its advantage. The railways is one sector where large-scale patronage can be extended and a political constituency created in no time. But for that, Bannerji's strategy to take on the Left would have to be drawn up and the rough edges of her politics smoothened. As a BJP ideologue explains: "This can be done best under the watchful eye of the PMO."



BJP rewarded Jaitley's pre-poll services

The smoothness which marked Vajpayee's cabinet formation exercise showed that Vajpayee had come a long way from 1998, when he was buffeted by pressures from within the Sangh Parivar as well as his allies to drop and include certain persons. One can still recall the embarrassment which followed the prime minister's decision to first include Jaswant Singh in his cabinet as the finance minister and then change the decision. Bowing to pressure from a section of the Sangh Parivar which did not want a defeated MP to be made minister, Vajpayee went into a sulk and announced that he would keep the finance portfolio for himself. But the same evening, he asked Yashwant Sinha to swear in as finance minister.

This time the prime minister, assisted by Brajesh Mishra, laid down broad principles for the formation of his cabinet and delegated authority to senior colleagues to carry out the exercise smoothly. To begin with, a ratio was fixed for every party – one cabinet berth for every five Lok Sabha seats won. He entrusted the task of preparing a list of the ministerial candidates from the BJP to L.K. Advani and Kushabhau Thakre. The decision to make the media-savvy Arun Jaitley the new information and broadcasting minister was an inspired outcome of this consultative process. Jaswant Singh and George Fernandes were asked to shortlist the names of MPs from among the allies. Besides, it was also decided to maintain continuity in the four major portfolios of home, defence, finance and external affairs. The job of carving new ministries out of the existing ones was done by Mishra and N.K. Singh.

The result: there were no major snafus in cabinet formation. Ramakrishna Hegde did protest at not being informed about his exclusion, but the Karnataka politician is too suave to make a song and dance about it. In any case, the recommendation to drop him came from his own party – the JD (U). Shiv Sena's Manohar Joshi did protest at being given the truncated heavy industry portfolio and even threatened that he and his party colleagues would not assume charge of their portfolios unless "justice" was done to them. But Suresh Prabhu, the new chemicals and fertilisers minister, met Vajpayee the next day and assured him, on behalf of Shiv Sena chief Bal Thackeray, that his party was very much a part of the new government.

Sources close to the Vajpayee establishment admit that problems of "personality mismatch and conflicting egos" among those holding charge of core ministries could periodically erupt as the NDA gets down to the business of governance. Hence the need for a PMO which would also act as a peace-broker. Sources maintain that a mechanism for monitoring the economy already exists in the PMO. After Pokhran II, Vajpayee had insisted that it was essential to monitor the economic fallout of the nuclear explosions because of the sanctions imposed by the West. Brainstorming sessions were held on a

Autumn of the party

The story may be apocryphal, but it is indicative of the prevailing mood in a section of the Congress party. One of the longest-serving dinosaurs of Indian politics, Sitaram Kesri, was finally giving it back to his detractors. Addressing a motley group of followers at his Purana Qila Road residence last fortnight, Kesri gave vent to his anger and joy simultaneously: "When the Congress won 141 seats under my leadership, they yanked off my *dhoti* and literally kicked me out of the party president's post. But now the party has touched the rock bottom; there is not even a whimper. I have finally been vindicated."

The Congress barely touched the figure of 125, as many as four Congress working committee (CWC) members bit the dust, the party's alliance with Laloo Yadav in Bihar and Jayalalitha in Tamil Nadu came a cropper and the dismal results from Orissa clearly indicated that the party would lose its control over the state in next year's assembly election. The only consolation was the conquest of the prosperous state of Karnataka and a share in the power structure in Maharashtra owing to the split verdict in the assembly albeit after joining hands with some Gandhi's strongest critic. Even in UP, the much-hyped revival of the Congress stopped in its tracks with the Samajawadi Party and the BSP coming out tops.

Barely had the final result been announced than eager-beaver Congressman began jockeying for key slots in the organisation. Kamal Nath, for instance, called for a "generational shift" in the leadership, quite conveniently forgetting that it was the leaders of his generation such as Girdhar Gomang in Orissa, Ashok Gehlot in Rajasthan and the seemingly invincible Digvjay Singh in Madhya Pradesh who had let the party down.

Despite the talk of the Congress going into an "introspection mode", it is almost certain that the party is going to embark on an offensive course when the 13th Lok Sabha meets. Sonia Gandhi's remark "I am ready to fight back" reveals that the party will need more than introspection to get back to its position as the country's pre-eminent political force.

One of the biggest losses the Congress suffered was the humbling of Manmohan Singh in the South Delhi seat by over 30,000 votes. What was once being touted as an inspired decision and the party's trump card in Delhi turned out to be a miscalculation. As former BJP spokesman and the new information and broadcasting minister Arun Jaitley says: "Didn't the Congress know that South Delhi is a BJP stronghold and we have won this seat during the last three elections with a margin of over 1.5 lakh votes? Despite all the goodwill that Singh has, how could he have possibly bridged this margin?"



With important figures like Manmohan Singh fading, Sonia has the tough job of rejuvenating the party

Singh is likely to stick to his stated decision of quitting as the leader of the Opposition in the Rajya Sabha. This would reduce him to an ordinary member. In a party which is often equated to a basket of crabs, it is highly unlikely that others would like to see Singh being accorded the kind of pre-eminence he had been getting of late. This would be a pity as the former finance minister, with his rich experience, could have contributed substantially to the economic debates in the Lok Sabha. With his defeat, the Congress, as the frontline Opposition in the new House, has also been deprived of a gladiator who can lead the charge on the economic front. ♦

The man to watch

His eyes say it all. Alert and piercing, they constantly dart about. It is as if N. Chandrababu Naidu is always on the lookout for a prey. Or a political opportunity. But the man's diligence and the elaborate consultative process he takes recourse to act as a foil to his demeanour of a hunter.

Ever since he became the chief minister of Andhra Pradesh by deposing his ailing father-in-law, N.T. Rama Rao, Naidu has been trying hard to live down the image of an untrustworthy back-stabber. He behaved impeccably during the reign of the two United Front governments, led by H.D. Deve Gowda and I.K. Gujral. But when the Gujral government fell and fresh elections threw up a near majority for the BJP-led coalition in 1998, he had no qualms about supporting the Vajpayee dispensation. He insisted on staying out of the government lest his support base among the Muslim minorities of the state was affected. But he ensured that his man, C. Balyogi, became the Speaker of the Lok Sabha.

Naidu played hard-to-get with the BJP on the eve of this year's elections to the Lok Sabha and the Andhra Pradesh assembly. Only the realisation that a BJP-TDP tie-up was imperative for a Congress defeat could make him finally agree to join hands with the saffron party. After storming back to power in the assembly and bagging an unprecedented 29 seats in the Lok Sabha (*see page 130*), he decided once again to stay out of the government even though some felt that C. Rangarajan, former RBI governor and present Andhra Pradesh governor, would be his candidate for the finance minister's job. It is likely that the BJP would offer the Lok Sabha Speaker's post to his party again even though P.A. Sangma also appears to be a strong candidate for the job.



Despite staying out of the government, Naidu will have a big role in its decisions

Political observers ascribe two reasons for his decision to keep the TDP out of the power structure at the Centre. One, elections to the municipalities and panchayats are shortly due in Andhra Pradesh and he would not like to be committed to any political formation for the time being. Two, Naidu would also like to keep his options open. An extreme case scenario being worked out by ever-hopefuls in the anti-BJP camp is that the Andhra Pradesh leader could use his connections in the Third Front to trigger off realignments within the NDA, particularly the DMK and the Janata Dal(U), and desta bilise the Vajpayee dispensation if the need arises.

But right now, destabilisation is the last thing on Naidu's mind. He needs Central finances desperately for his state and could do with a little goodwill from the North Block. He is willing to share with the Centre his experience of the political management of reforms in Andhra Pradesh. Naidu also wants free entry into the optical fibre business, till now a monopoly of the department of telecommunications. •

weekly basis to achieve this end. "The mechanism will now be fleshed out for a proactive sectoral monitoring of the economy and for taking fresh initiatives," sources added.

When the prime minister and the finance minister talk of ushering in the second generation of reforms, it is not that they are unaware of the pitfalls that lie ahead. Even a cursory look at the wish list – insurance and banking reforms, strategic sale of PSUs, easing labour laws and curbing government profligacy – shows that the government will have to grapple with pressures from within to achieve anything meaningful. The hike in diesel prices has already invited flak from Mamata Bannerji's Trinamul Congress and Om Prakash Chautala's Indian National Lok Dal. Another hike, being contemplated in November, could further complicate matters.

Elements within the JD (who are yet to live down their socialist moorings) and the Trinamul Congress (who cannot entirely give up their competitive populism against the Left Front) are bound to oppose the huge staff cuts proposed in the banking reforms. Similarly, there is bound to be some opposition to the strategic sale of the government's stake in PSUs as was evident in Bannerji's description eight months ago of the proposed sale of the government stake in Balco as a "scam".

The finance ministry's move to curb fiscal profligacy could also run into trouble. While nobody would mind if the government sticks to the plan to slash Central expenditure, the move to prune subsidies could work up a storm. Even Govindacharya acknowledges this: "Where basic needs such as food or agricultural



Mamata Banerji is the helipad for BJP in West Bengal

subsidies are concerned, one should not be deluded into thinking that even the developed countries have done away with subsidies. The talk of abolition of subsidies in the Indian milieu is an anti-people proposition."

In its new *avtaar*, the PMO will have to confront and resolve all these contradictions as best as it can. Vajpayee and his senior cabinet colleagues are acutely aware that they bucked the anti-incumbency trend partly because the last government was seen by the people as a government which, albeit inexperienced, at least tried to deliver. It is a different matter that they were helped by an effete opposition which was largely perceived as being power-hungry.

Indeed, the important lesson of Vote '99 is that good governance – or even a sincere effort at it – pays, while misgovernance will be punished. Sample the voting trends in Punjab, Karnataka, Orissa and Bihar. The Akali Dal lost out in Punjab because it failed to capitalise on the immense goodwill the party had earned when it came into power. This happened despite Prakash Singh Badal's promise of free electricity to his constituency of Jat farmers. While Karnataka and Orissa were classic examples of misgovernance, Bihar saw the voters rise in protest against Laloo Prasad Yadav for allowing his state to practically waste away. Even in a state like UP, where the Vajpayee wave would normally have subsumed the caste and community calculations of rival political forces, the BJP was clearly told by the voter to pull up its socks and put the Kalyan Singh administration on alert.

There is a distinct possibility that the new government in general and Vajpayee in particular will be insulated against sniper attacks from within, at least for a longer period than earlier because this time around the BJP and its allies had this time sought a vote in Vajpayee's name. Conscious of the goodwill which Vajpayee generates and aware of the odium which Jayalalitha attracted by pulling down the last government, the allies may be expected to behave more responsibly this time.

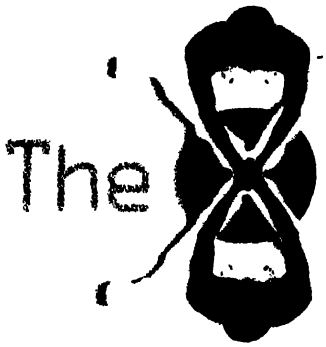
Apart from goodwill, the biggest factor which would lend stability to the BJP is the magic of numbers. Unlike the last time, when a tempestuous Jayalalitha with her 17 MPs could bring down the government, it will be difficult for any single component of the NDA to take recourse to similar blackmail. The Janata Dal (U), with 20 MPs, is the most volatile part of the NDA. The outfit consists largely of former socialists who have shown a tendency to split and reunite with a view to grabbing power.

This was evident in the way Ramakrishna Hegde was sacrificed. But even if the 20 MPs of the JD(U) were to start flexing their muscles, the NDA (which has crossed the 300-seat mark) would have a cushion of around 10 MPs to stay afloat. Indeed, the JD(U) would have to work very hard and join hands with other disgruntled components of the NDA to do a Jayalalitha on Vajpayee this time. But the lure of Bihar, in the event of the BJP and the JD(U) sharing power in the state, would automatically preclude such a possibility.

One man whose moods the BJP would have to constantly gauge is the Telugu Desam Party's N. Chandrababu Naidu. With 29 MPs and a renewed mandate in the state assembly, he has emerged as a larger-than-life figure on the national scene. The arithmetic of the present Lok Sabha is such that even if he were to withdraw support, the government would not fall. But that does not mean that the BJP can afford to bypass him on important issues even though he has chosen not to be a part of the new government. After all, the people voted for the NDA at the national level with the same expectations which got Naidu his renewed lease in Hyderabad.

• RAKESH JOSHI

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Is winter over?



Bombay Stock Exchange (BSE) president Anand Rathi, some governing board members, stockbrokers and stock exchange employees are perched on the terrace of Jeejeebhoy Towers that houses the BSE. In high spirits, they release 5,000 balloons in the air. The simile is inescapable. For, after seven long years of a bear grip the BSE sensitive index (Sensex) has crossed the 5,000 mark. Such dizzy heights were previously reached only during the now infamous-Harshad Mehta era.

But, wait a moment. Aren't those storm clouds looming on the horizon threatening to wash out the party? Shall the revelers have to run for cover? Are the celebrations premature? For the press has been flooded with worrying reports. The Securities & Exchange Board of India (Sebi) was concerned by the surge in outstanding positions. The finance minister went public on the balance of payment crisis. Could these reports do anything but act as a damper? The Sensex in one trading session (15 October) lost close to 200 points. However, Rathi, for one, is not going to allow his party mood to be spoilt. "There is a strong bull undercurrent in the market. This could be a temporary blip," he counters. Also, "there is no truth to the reports on the outstanding position".

To get a clear view of the actual scenario one would have to go back six months in time. Since that date, the stockmarket has been on the upswing. It was, in fact, anxiously awaiting a new trigger from the political front, to shoot up even higher. This was provided on 8 October 1999 when the final poll results trickled in. The National Democratic Alliance (NDA) had secured a clear majority. The Centre at last having a majority government after many years of cussed coalitions was like a shot in the arm for the stockmarket. The Sensex rose to the rarefied height of 5,091.24. With the Vajpayee team taking charge, however, the market went in for a breather and the Sensex began moving in a narrow range of 100 points.

It is very clear that the current rally is based on sound fundamentals. "Over the last four years, the Indian economy has picked up and its growth has advanced from negative to neutral, and, now, to slightly positive. The market being sentiment-driven has reflected this trend," says Nikhil Khattau, CEO, Sun F&C Asset Management. This positive trend is evident from June 1999, he says. "The first positive news was of a higher-than-expected industrial growth. Then came the rising figures of cement dispatches, commercial vehicle sales, finished steel production and tax revenues. The economy was now well on its way to recovery. Inflation, too, had fallen further. These were the first signs of GDP growth," points out Khattau.

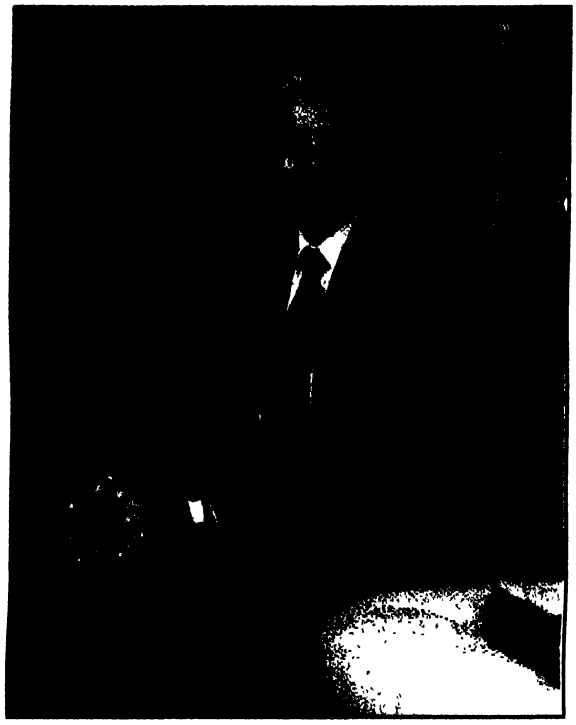
"Positive indications of a turnaround in other key sectors such as consumer durables and petrochemicals are also evident," adds D.K. Bhatia of Mega Ace Consultancy. Adds Niamatullah, managing director, SBI Mutual Fund: "Besides the economic recovery process commencing, the anticipation of political stability kickstarted the stock rally." Concurs

Basudeb Sen, executive director, UTI: "Economic indicators have been pointing towards low inflation rate and acceleration in industrial growth. Corporate earnings are slated to grow more in fiscal 2000 than in the previous year. The gradual firming up of international prices of various commodities also improved the outlook of many companies."

The bullish sentiments on India are clear from this one fact. In May 1999, while the Kargil conflagration was clouding the horizon, foreign institutional investors (FIIs) were making aggressive purchases. "The FIIs' reading on the India story was positive," says Nimish Shah of Fortune Financial Services. "At the macro level, the semblance of stability in many parts of the globe, the recovery of Southeast Asian economies and early signs of revival in the Indian economy, led to the upside," reasons P. Chandrasekar, director, Erudite Capital Creations.

There are other fundamentals which gave cause for cheer. Bountiful rains led to expectations of a better agricultural output. "Except for some adverse impact in the groundnut crop in Gujarat, foodgrains production, sugarcane and cotton are expected to be higher than last year. Industrial production for 1999-2000 is expected to rise by 5.5 per cent as compared to 4 per cent last year," says Bhatia. Besides, improving macroeconomic fundamentals like increasing exports, revival of demand in core sectors such as cement (in the monsoon season), non-ferrous metals, paper and a surge in construction activity aided the buoyant mood.

The micro level too has witnessed improvement. Corporates have displayed improved scorecards. Companies are showing good quarterly results. And this is the result of the churning process the corporate sector has been undergoing for the last few years. Companies have shed unrelated businesses, reduced overheads and restructured either to take on competition or for sheer survival. "The corporate *mantra* of creating shareholder value is getting real," states Ajay Srinivasan, managing director of Prudential ICICI.

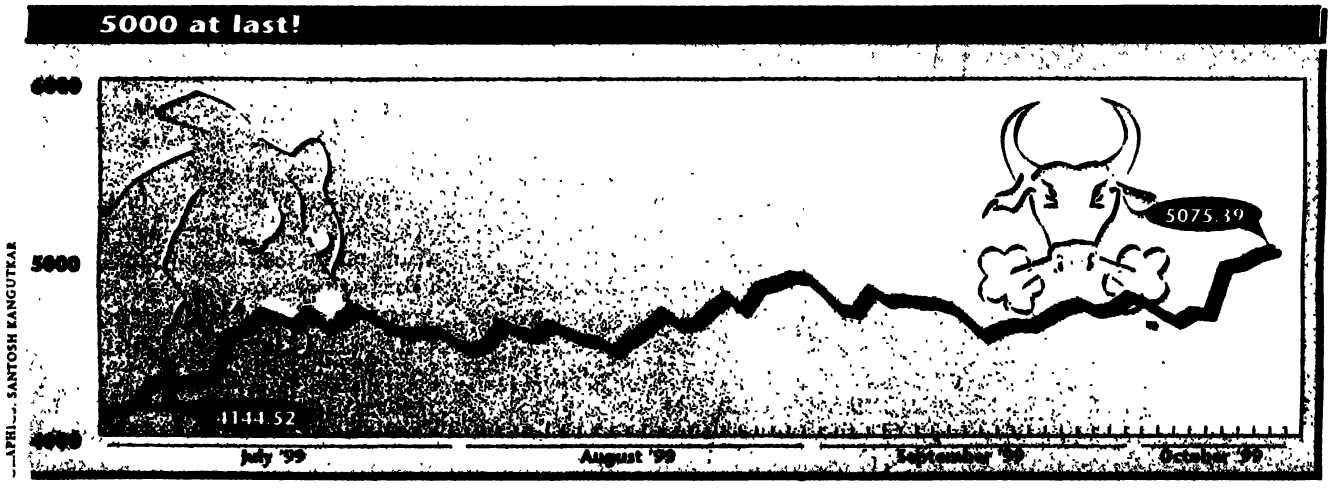


PHOTOS: PALAHRAVAN BHOJRAJ

Rathi: there is no truth on the outstanding position

This rally is obviously very different from the one witnessed in 1994. Five years back though the economic fundamentals of the Indian industry were deteriorating the bull operators were on a high. They failed to recognise some startling facts. "For one, the drastic import duty cuts in the initial liberalisation years and declining prices of cyclical commodities reduced the competitiveness of Indian industry," recalls Shah. "The 1994 rally contained a lot of IPOs of questionable quality. With the dismantling of the Controller of Capital Issues (CCI), retail investors did not realise that pricing by merchant bankers and promoters could go wrong. It was a speculative boom. Today, only well-managed companies in sound industries are coming out with quality issues. The software story is going retail and despite heavy pricing the offers are still attractive," feels Khattau.

"Eight years after the onset of liberalisation, the Indian economy seems to be finding its own level. Since we have a long way to go and all basic factors are not negative, there is great potential. This rally seems to be led by expectations of a long growth phase for the Indian economy," says Chandrasekar of



APHIL... SANTOSH KANGUTKAR

Erudite Capital. Points out Niamatullah, "To be specific, the rally has been led by stocks which are linked to the economic recovery or intellectual property. IPR companies are those in the information technology and pharmaceutical sectors. The expectation that the good performances by these sectors will continue has boosted sentiments."

Srinivasan compares the 1994 rally with the current one differently. Says he: "One, the price to earnings ratio now is probably 18 or 19 times compared to close to 30 times then. Second, the PLR is at its 10-year low currently compared to reasonably high rates in 1994. Third, the stocks driving the market now are those of knowledge-based industries and restructured companies. In 1994, asset play was more dominant." Rathi concurs, "The 1994 boom was driven by the euphoria of economic liberalisation and hence driven by capacity creation. This created more competition and put pressure on the profit margins of companies. The expectations proved to be unfounded and took a toll on the market."

"The present bull rally seems to be more solid for the following reasons. The market seems to be more intelligent now, with quality stocks receiving high valuation. The valuation of good quality stocks is still attractive compared to historic levels and other emerging markets. Besides, knowledge-based sectors like IT and pharma, which have immense potential to grow and create wealth for investors, have come of age. Finally, the restructuring of Indian industry has led to improved shareholder values," reasons Vivek Reddy, CEO of Kothari Pioneer Mutual Fund. Shah says firmly, "The bull rally of 1999 is for real and will continue."

There are some who hold a contrary view. Says Parag Parikh, a Mumbai-based stockbroker, "The current rally is no different from the 1994 one. In the previous one, the financial services sector led the rally and now the software sector is doing so."

But this rally is different. "The inflation rate this time is substantially lower and industrial growth is accelerating. The marketplace is much more regulated and supervised with most modern practices and infrastructure in place especially with the introduction of rolling settlement," explains Sen.

An interesting feature of the current run-up of stock prices is that it is more broad-based and has moved beyond the 30 scrips in the Sensex. The side counters have also joined the party. For instance, over the last three months to September 1999 the P/E ratio of the BSE-100 enjoys a higher multiple, rising from 17.15 to 22.63 times while that of the Sensex has moved up from 18.4 to 20.41 times.



Shah believes the rally is for real and will continue

Clearly, the pattern of investing is changing and the money is not going only into Sensex-based shares. "The process of re-rating of scrips is under way and the rally is more widespread," says Sen. Khattau draws attention to his portfolio break-up which has undergone a sea change and now reflects the improved health of the economy. In the three months from 30 June to 30 September 1999, the oil, gas and refining sectors share in the Sun F&C portfolio has moved up from 4 to 11 per cent and that of automobiles and ancillaries from 10 to 12 per cent. Cement is a new addition constituting 8 per cent of the portfolio. The two hot sectors currently — software and pharmaceuticals — have seen a reduction from 35 to 10 per cent and from 9 to 7 per cent respectively. Like Sun F&C, there are other mutual funds and institutional investors who have rejigged their portfolio allocations.

As the boom began happening it had a snowballing effect. The initial (May 1999) surge started with the FII buying. Then the operators and mutual funds joined in adding a higher level of institutionalisation. "The primary reason behind the rally is the mobilisation of over Rs16,000 crore in the first five months of the current year by the mutual funds which has flowed into the market. (The industry is expecting around Rs40,000-45,000 crore for the full year.) Basically, people needed an investment avenue and the tax break provided in the last budget to mutual funds turned out to be a great opportunity both to the retail investor and the industry," explains Parikh.

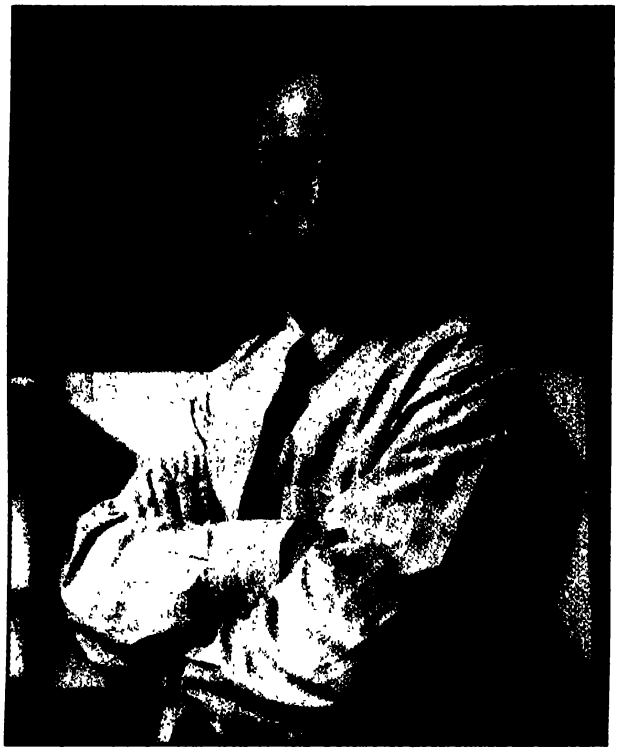
Srinivasan believes that though the money is coming in from various quarters, the most significant has been the contribution of the retail investor. "This is borne out by the widespread nature of this rally in terms of number of stocks that have soared," he points out. According to Reddy, "Fund flows from local investors have just begun and there is a long way to go before reaching the saturation level. Local investors had so far stayed away from stockmarket. This is slowly but surely changing. Now, more and more investors are putting a part of their savings into stocks, often through well managed private mutual funds. The tax concessions announced in the previous budget for savings through equity funds have also helped in directing more funds into this asset category. Domestic savings are increasingly getting channelled into the stockmarket. Though as a percentage of total savings it is still low, the trend is positive."

"On an average, 1.5 per cent per annum of the GDP has been going into the capital market. However, over the last three years, this figure has dwindled to 0.2 per cent. Hence the potential for the capital market to attract more funds, is high. Besides, there is massive liquidity in the banks. As the sentiment turns more positive, more funds will flow into the capital market. Investors will find their way directly or through the mutual fund route," opines Khattau. Broadly speaking, there is a lot of money in the system that is chasing good returns and the equity markets are perfectly placed to benefit from the influx of money.

While increased inflows definitely enhances the liquidity in the market needed for a sustainable bull run, in an emerging market, there are other areas that merit concern. "Infrastructure is one such area. For the GDP growth to increase from 4.5 to 7 per cent, we need better roads, power and telecommunication facilities. For instance, studies indicate that if the roads increase by three times the use of automobiles increases exponentially by the factor of three, says Khattau.

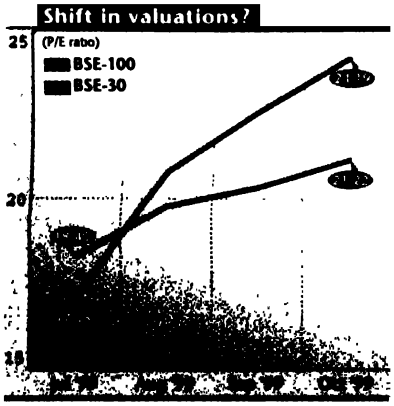
There are other macro areas that need to be addressed. "The balance of payments (BoP) is to some extent worrisome because of the widening trade deficit and increased outgo on account of crude oil imports. If the country is able to attract more foreign funds in the coming months the BoP problem would soften," suggests Bhatia.

The war in Kargil reportedly cost the exchequer around Rs40 crore a day which implies an expenditure of over Rs2,000 crore. The elections are supposed to have cost around Rs1,000 crore, at least officially. Add to that, the fact that international oil prices have more than doubled over the last six months to touch over $23 per barrel and the oil pool deficit which has burgeoned to over Rs5,000 crore. "This implies another bout of inflation. The fiscal deficit would go haywire prompting increased borrowing on the part of the government. Which means further crowding out of the private sector and an impending interest rate hike just about the time when the economy is witnessing an uptrend," explains Parikh.



Niamatullah: the demat process has to gather pace

For the current bull run to sustain, the new government will have to make some bold moves. The finance minister's promise to bring in second generation reforms will be keenly watched. "We are looking forward to its unveiling," states Srinivasan. Reddy lists his expectations from the new government. "Reining in of the fiscal deficit by cutting down on a bloated government; spurring economic growth through infrastructure spending; continuation of the reform process — this should include allowing the entry of foreign firms into areas like insurance; divestment of stake in PSUs; and giving a further fillip to exports."

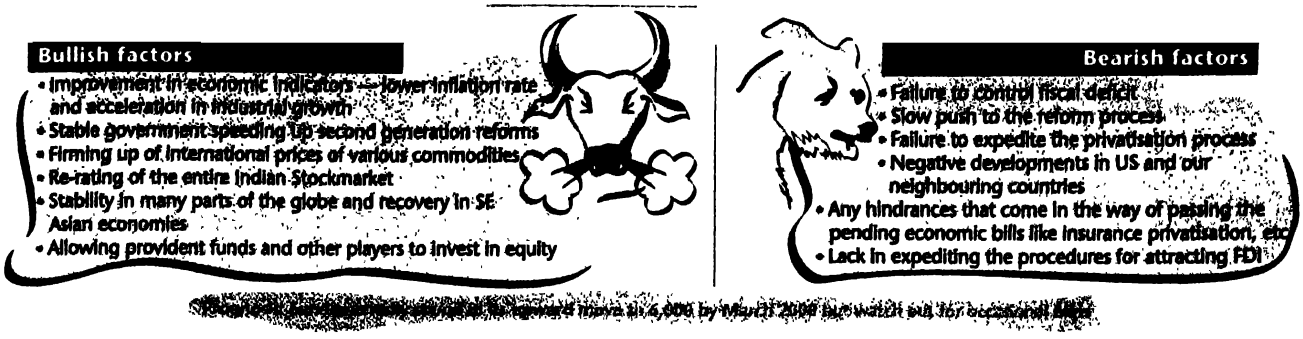


On a similar vein, Shah emphasises the reduction of government borrowing. He says, "The government has already borrowed to the extent of 78 per cent of the target for the current fiscal year. This is a cause for concern. We also expect the government to ensure the safe passage of all pending economic bills like insurance privatisation, Companies Act amendment bill, patents, etc."

There has been growing political consensus on major economic issues such as insurance privatisation, PSU divestment, simplification and rationalisation of tariffs on both indirect and direct taxation. This consensus on crucial economic issues by most political parties to an extent mitigates the negative factor of political instability. However, it is only the proactive steps taken by the government in these areas which will go a long way in sustaining the bull run. "Lots of policies have been announced but no action has been taken so far. The government has hands-on experience earlier. They have already been through the learning curve," says Khattau.

"What is required is the privatisation of PSUs, opening up of the insurance sector, banking sector reforms, a consumer friendly telecom policy and clear-cut guidelines on foreign direct investment. The government should make it mandatory for foreign companies entering India to reserve 26 per cent of their equity for the Indian public and be listed on Indian stock exchanges. This would also increase the depth of the market," says Parikh.

In order to increase the depth and liquidity of the market the new



government has to take major policy initiatives and market reforms. Most marketmen suggest that, firstly, the government should allow players like pension funds to invest in the stockmarket. Secondly, insurance companies should be allowed to increase investments in the stockmarket up to 20 per cent of their investible funds. Thirdly, a derivative market should be developed and index-based futures and options introduced. "We already have screen-based trading. The need of the hour is risk management instruments. Today, mutual funds have to take delivery, they cannot go long or short. If they are allowed to go long or short, it will add to the depth and liquidity of the market," recommends Khattau. "These measures would ensure that long term players will enter the equity markets," adds Srinivasan. Niamatullah says, "The demat process has to gather pace and spread to more scrips."



Chandrasekar sees early signs of revival in the economy

While many believe that the new government will deliver most of what they promise, other risk factors could send the market into a tailspin. "The risk factors in the market relate to stable policy framework, continued economic recovery and Y2K. Y2K concerns relate to the fact that some foreign fund managers may want to adopt the conservative approach and remain in cash to a certain extent close to 31 December 1999," feels Niamatullah.

"Rising interest rates here and abroad seem to be the only risk factors but I don't see either happening. The only other worry is the increase in long positions in the market, often in the hands of weak holders which could lead to selling at the sign of any bad news," feels Srinivasan.

There are other factors too which could adversely affect the stockmarket. Political infighting could delay the government's decision making process. Since the country has also integrated into the global economy, the need to keep a watch on overseas developments has also arisen. Be it negative developments like a slowdown in the economies of the US and Western Europe, the deteriorating situation in Russia or even China, all these could affect the Indian market. The recent coup in Pakistan has, to an extent, played on the minds of investors. The possibility of cross-border tensions increasing and resumption of hostilities with Pakistan, is ever-present.

However, all these fears are not very real as of now. We come back to the marketmen for their views on the Sensex's future. Most marketmen believe that, in the long term, the stockmarket will go up. For the medium term, they are bullish in view of the strong economic fundamentals. But in the short term, they expect volatility because of the risk factors. "We can no longer take a general view on the market since investors would need to focus on individual stocks. We, however, believe that the Sensex could cross 5,500 by December 1999 and even 6,000 by March 2000. Individual stocks, however, could provide very different returns," predicts Srinivasan.

"The market index is a function of growth in corporate earnings and relative valuation *vis-a-vis* other comparable emerging markets. While predicting short-term stock price movements is a pointless exercise, we expect that the broad market overall will grow 20-25 per cent every year for the next 3-5 years," estimates Reddy.

Bhatia is cautious. "The current level of the Sensex of over 5,000 is unlikely to be sustained up to March 2000. It may move in a narrow range and even come down. There is little likelihood of the interest rates coming down." While the retail investor will need to keep a sharp eye on various developments to judge how far the Sensex will ascend, there is one location he should not take his eyes away from — the Jeejeebhoy Towers terrace. It could be the site for 10,000 balloons to go.

• LANCELOT JOSEPH

Statement of Shri U. Sundararajan, Chairman & Managing Director at the Annual General Meeting of Shareholders in Mumbai, 28th September, 1999.

Fellow Shareowners

On behalf of my colleagues in BPC and on my own behalf I extend a very warm welcome to all of you The Directors report and the audited accounts for the year 1998 99 are already with you and with your permission I take them as read This morning I would like to share with you the direction in which BPC is moving and the highlights of the year s performance

India is the 9th largest oil consumer in the world and demar d is fast increasing 91 million tonnes of petroleum products were consumed during 1998 99 During the next decade the demand is likely to grow at 6 7% annually which is more than three times the world average This presents exciting opportunities for the oil industry At the same time the impending deregulation and the opening up of the markets to competition also throws up exigent challenges

CREATING THE FUTURE

In order to survive and flourish in the emerging market place we in BPC strongly believe that a culture of change needs to be imbibed in each staff If this culture of change is to permeate throughout the organisation it is vital that each staff not only learns on a continuous basis but also that the learnings are shared so that t ne organisation as a whole learns at a faster pace We need to learn especially about the evolving customer needs and the fulfilment thereof in the most cost effective manner In other words there is a strong desire to transform BPC into a learning organisation

As employees are crucial to our success in all these endeavours we also aspire to make BPC a great place to work through constant improvements in the quality of relationships at the workplace We seek to create a workplace where there is innate trust between people where each employee is proud of his or her job and where there is a strong sense of camaraderie amongst colleagues

The growth strategy for BPC has been developed based on these passionately held aspirations of becoming a learning organisation and also a great place to work

Moving to a customer-driven structure

As a first step towards the realisation of our aspirations a customer driven structure has been put in place Five customer facing Strategic Business Units (SBUs) one asset based SBU and other back office entities were formed in May 1998 More than 2500 staff took on new roles and many physically moved into new locations These new entities have been adequately empowered to improve the service levels and reduce the response time to the customer Within the SBUs several self managing cross functional teams have been formed with each team having a common work product

Empowering people

Many Human Resource (HR) initiatives were undertaken within the organisation to complement the changes in the structure Workshops were conducted to bring about a change in the mental models, introduce a collaborative way of working and enable employees to think systemically Most of the staff went through these workshops The response has been amazing and there has been a sea change in attitudes and work cultures throughout the organisation The hidden potential of our staff has been unlocked as their energies are now directed at doing the things they like doing in accordance with the vision that the teams have created themselves Ownership and commitment are high A culture of openness is beginning to take root The power of knowledge has replaced the power of position Staff have begun to experiment with doing things differently are more innovative and above all are getting to know customers a lot better New learnings are being shared In other words a new organisational ethos has emerged and new capabilities are developing

However this is just the beginning and it will take many years before the new behaviours become an irreversible part of our corporate culture We appreciate that the journey is long and arduous but the passion is so high that the whole effort is bound to succeed

Using IT as an enabler of change

The power of information technology (IT) is being harnessed as an enabler of change We already have a robust IT infrastructure A large in house Wide Area Network based on Very Small Aperture Terminal (VSAT) technology connects more than 200 of our upcountry locations During the year a complex e mail and intranet project were implemented which are extensively utilised to share learnings We are also well into implementation of SAP – an Enterprise wide Resource Planning solution

Creating value for customers

BPC is committed to enhancement of the value we offer to our customers We are working hard to adopt new ways not only of understanding what customers want but also of anticipating their needs and of responding with innovative offerings

In the Retail SBU for instance in an effort to providing a better experience to our customers nearly 270 of our retail outlets have been upgraded with facilities like mu t product dispensing units canopies better driveways one automatic air pressure gauges The remaining outlets be upgraded over the next few years

Our ultimate aim is to shift from being purely a purveyor o fuel to a retailer meeting a wider range of customer need like convenience goods payment systems a communications Already convenience stores – Bazac s have been set up at select retail outlets Automatic te e machines have been introduced BPC has introduced t e country s first customer loyalty scheme in the petroleum sec using state of the art smart card technology at our reta outlets in Chennai We also plan to provide Internet kio k at a few retail outlets so as to give the customer easy a c convenient access to e mail facilities

The LPG SBU is endeavouring to build Bharatgas as a strong brand One of our efforts is to make the proces of procuring supplies easier for the customer In selec markets LPG refill bookings can now be done through pagers interactive voice recording systems and telepho e answering machines Computerised LPG refill booking systems are also being introduced in some distributorships

On the lubricants front we have made substant investments in revitalising our brands through improvements in product quality and packaging The distribution system has been revamped Exclusive branded Lube Shoppes have been set up in many parts of the country

The Industrial & Commercial SBU has introduced Customer Advisory Boards as a feedback and redressa mechanism These have been effective We are shortly embarking on an e commerce strategy through which customers can indent and monitor supplies and also query their statement of accounts

With these small beginnings the services are slowly bu distinctly improving These efforts will form the platfo r for future efforts and more improvements are envisaged

Bharat Petroleum : Breakthrough



Product security issues

BPC is short on refining capacity - we produce less than half of the quantity we market Though this can be a strength considering the excess refining capacity expected in the region, it could, at times, also put us in a disadvantageous position To address this problem, a mutually beneficial, long term strategic alliance has been entered into with Madras Refineries Limited (MRL) in July 1999 in terms of which effective August 1999, BPC has acquired the marketing rights of the products produced by MRL's Manali Refinery

To sum up BPC has taken a number of steps to succeed in a deregulated scenario An organisational re configuration has been completed Major HR initiatives have been undertaken to fast forward organisational learning Customer offerings are steadily being improved Product security issues are being addressed Yet even a share my joy on accomplishing these milestones again acknowledge that a lot more needs to be done We have a long way to go before we can claim to be anywhere near accomplishing our vision of becoming a preferred supplier for the customer However, the beginning has been good and each of us is determined to do much more

PERFORMANCE HIGHLIGHTS

In spite of such extensive changes taking place within and taxes increased by 28 2% to Rs 1557 crores while net profit increased by 31 6% to Rs 701 crores This translates to an earnings per share of Rs 46 75 BPC has generated a healthy EVA (economic value added) of Rs 308 crores during 1998 99 Return on capital employed increased from 14 9% to 17 3% Similarly, the return on average networth increased from 23 1% to 25 3% The book value of BPC's share increased to Rs 201 from Rs 168 last year The Directors recommend a dividend of Rs 12 50 per share of Rs 10 This is a substantial jump from earlier years and represents an increase of 150% over last year

BPC has consistently been enhancing shareholder value Over the last five years the growth rate, compounded annually (CAGR), for sales volume was 7 2% while that for gross profit was 19 6% The CAGR for net profit was 24 8%, which is the highest in the industry During the same period, BPC's networth has increased at a CAGR of 21 3% profit after tax as a percentage of networth has been between 22 25%, while profit after tax as a percentage of capital employed has been in the range of 15 19%

SAFETY AWARD FOR THE REFINERY

The safety management system in the refinery achieved a 'level 7' of the International Safety Rating System (ISRS) ISRS is a tool for comparison, benchmarking, and development of safety management systems world wide The rating achieved by our refinery is the highest rating achieved by any refinery in India in fact, it is the highest level achieved by any industrial unit in India Only 15% of the 228 refineries using ISRS world wide have attained this level

RECAST OF THE BOARD

During the year BPC's Board was recast and strengthened by four eminent professional Directors Shri S M Datta, former Chairman, Hindustan Lever Limited, Shri PP Kaliaperumal, former Member of Parliament, Dr P N Khandwalla, Professor at Indian Institute of Management, Ahmedabad, and Professor K Vasudeva, retired Professor, Indian Institute of Technology

HONOURS

BPC was selected as an honoree for the CIO 100 annual awards as one of the 100 companies most likely to excel in the 21st century because of innovative practices and leveraging of people and technology The CIO magazine is a widely circulated American publication for executives in charge of technology and information systems BPC was the only Indian company to have been given this honour

We were also given the award for excellence in the area of human resource management by the National Petroleum Management Programme for the year 1997-98

BPC was ranked 453 in the Forbes International 500 rankings for the year 1998 We are the only petroleum marketing company to be listed – in fact only four Indian companies figure in the list We were also ranked the 10th most admired company in India by the Business Barons in a survey of India's most admired corporations

LOOKING TOWARDS A BRIGHT TOMORROW

BPC has performed well year after year As we approach the new millennium we are well primed to better the future We have acknowledged the need to change drastically and have acted early with the restructuring Rather than reacting to the future we have chosen to create it for ourselves

Fundamental change has just begun within the organisation The next few years will see a sweeping change Today, each staff in BPC is energised and charged to create the results that he or she aspires for Some of the efforts will yield rich dividends, others may bring in only small results, and yet others may even fail But that is not important What is most important is that each one is trying their very best to make things happen!

The enthusiasm of the staff boosts my confidence in the future As a famous astronaut once said 'no dream is too high for those with the sky in their eyes' With the invigorated work environment across the organisation today, I can assure you that we are poised to take advantage of the new market place and will emerge stronger because of it We will not just survive it but will thrive in it

APPRECIATION

On behalf of the Directors, I acknowledge the ownership and commitment to the changes from the staff at all levels We express our heartfelt gratitude to each employee and more so to their families for their endurance and support Our dream is that each employee thoroughly enjoys the life he spends at work and, on our part, we will do everything possible to make BPC a great place to work

Each employee in BPC joins me in thanking every one of our shareowners for investing in us We assure you that as we work through our ways to success, we are always mindful of the value we create for you

We also express our gratitude to each and every customer who bought a product of BPC Our continued success is wholly dependent on their satisfaction and we will relentlessly work towards enhancing value for them

We also thank our dealers and distributors, and our contractors and suppliers all over the country Last but not least, we thank the Government for their valuable support

Thank you, Ladies and Gentlemen

performance through people

In BPC we logged yet another year of record performance with higher refinery throughput, higher sales and better profits Performance of the refinery during the year was at its best There was an incremental crude throughput of one million tonnes which is commendable considering that the cumulative increase in throughput in the five years before that was only 0 7 million tonnes The throughput of 8 94 million tonnes was possible due to 100% on stream factor with no unplanned interruptions in the secondary processing units

We have been consistently improving the product mix at the refinery Over the last five years, for instance, production of light distillates improved from 25 5% during 1993 94 to 29 3% during 1998 99 Middle distillates improved from 51 9% to 53 4% during the same period In 1998-99, the distillate production improved by 1% as compared to 1997 98 Fuel and loss has also been reduced to 5 1% in 1998 99 as against 6 2% during 1993 94 and 5 4% during 1997-98

Sales volume during 1998-99 registered a growth of 6 9% against an industry growth of 6 7% Of special significance was the performance of the Lubricants SBU, where sales increased by 16 2% the highest growth in the industry The growth of 5 8% by the Retail SBU was also the highest in the industry Sales to Industrial & Commercial customers increased by 9 5% against the industry growth of 8 6% whereas LPG sales registered a growth of 11 2% against the industry growth of 10% In other words, all the SBUs have performed very well

During the year, gross profit before interest, depreciation

Bharat Petroleum — where people make the difference

This does not purport to be a record of the proceedings of the Annual General Meeting

Visit us at www bharatpetroleum com

Net redefines

The spurt in business plans for Net-related activity is changing the nature of funding and business practices



PHOTOS: UMESH GOSWAMI

We get one IT business plan a day, claims Sethi

It's a number that reflects the groundswell of creativity and change taking place in the industrial landscape of this country. One business plan a day means one or two or maybe a group of entrepreneurs in the making walking up the steps of Silverstone building in Khar, a suburb of Mumbai, into the offices of Walden-Nikko, a venture capital fund. Says Sudhir Sethi, the director of the fund that has allocated $63 million for the emerging Indian entrepreneurs, "It's amazing, the fact that we get one business plan a day and we have been here for 15 months." According to Sethi, Walden gets a third of the new start-ups in information technology which means that in effect there are something like a thousand business plans annually being passed around in the boardrooms of venture capitalists. This is a guesstimate that boggles the mind if you consider it at its most conservative; assuming that only a tenth get the nod from the venture capitalists this country has one hundred-odd entrepreneurs hitting the deck with their business plans. At the turn towards the new millennium that figure is one that will change the industrial configuration of this country redefining its parameters and with it the entire financing mode as well.

So what is it that has got people like Sethi so worked up? It is simply the burst of information technology-related and over the last one year, Net-related business possibilities that promise to turn India into a Klondike of the nineteenth century Gold Rush fame or, to use a more appropriate analogy, the Silicon Valley of Asia. Perhaps it has something to do with being a latecomer to the world of the Internet. It took the former beleaguered BJP government to open up this sector allowing private Internet Service Providers (ISPs) and creating the space for the boom in telecommunications. Add to that the phenomenal success of companies like Infosys and Wipro Infotech on the backs of which the other lesser-known IT business ventures having been cresting the waves at the stockmarket both in the secondary and primary markets and you have the sufficient conditions for others to follow.

But not the necessary condition. This is a capital-starved country, remember? An entrepreneur all of 28 with a bright idea to set up a cybershop by providing value-added databases or a host of services would find it hard to get the cash to set himself up. Remember he or she has no assets or collateral to pledge in return for a term loan; there are no world scale plants with state-of-the-art manufacturing systems to impress the appraising officer of the development financial institutions. On the other hand, there is a computer, an idea and a business and marketing plan to tap the potential of the Web-based services.

Enter the venture capitalist. Funds like Walden Nikko and Draper International, and consultants and dealmakers like Edelweiss Capital Limited are busy filling a vacuum in the capital funding structure of the Indian economy. In fact, firms like theirs are also in a basic sense defining that structure. Says Rashesh Shah, director, Edelweiss Capital Limited: "Traditionally promoters of established companies have been able to get funds through the primary and secondary markets."

Foreign institutional investors (FIIs), for instance, since 1992 have put in more than $10 billion in this segment of the capital market The second stage in the development of the capital market became evident from 1995 onwards when investible funds became available as growth funds, pre-IPO funds or private equity funds

For Indian companies the private equity fund was a godsend at a time when the primary market was sleeping and an IPO seemed a near impossibility Chase Capital Partners' Indian arm, Indocean Capital Advisors, Hongkong and Shanghai Banking Corporation and other players got into the act of bought out deals and mergers and acquisitions Between 1995 and 1997, something in the range of $500 million and $1 billion were invested in this segment of the fund market It seemed a happy marriage of interests the Indocean Capital Advisors bought a 46 per cent stake in Gujarat Glass and then hoped for the best with financial management, the company got the cash Then a rethink followed and the funds began to take a more proactive interest in the firms Indocean for instance scouted around for merger and acquisitions opportunities found the best in Vora Packaging Clearly private equity funds are not happy just being passive investors

The market for corporate funds ended here, till 1998 when the venture capital began to occupy or to be more specific, create the space for the new entrepreneur who needs cash for an idea or an early start-up Till this point funds were available for companies up and running, be they brick and mortar ones that could raise capital on the basis of their current revenues and sales and needed the funds to improve their working Then the Drapers, Waldens and even the ICICI began to scout around



Exsite is the product of an idea that germinated in Nayak's mind

Redefining partnership

It's a narrow walk to the first floor of a nondescript building in Sion in south central Mumbai The building, a three-storey structure faces the dust and noise of the highway under construction Inside the office it is cool and clean Banks of computers with young faces peering intently into the monitors Nitin Komawar is the CEO of Plexus Technologies that specialises in Web designing and offering companies e-commerce solutions

During August 1999, Plexus Technologies concluded a deal with ICICI for an injection of $1 million (Rs4 3 crore) in return for 30 per cent of its equity According to Komawar, that capital should help Plexus take off into the kind of business that can be truly Net driven and for building its brand "We need money to market ourselves aggressively both in Indian and the US markets," says Komawar, a Silicon Valley veteran, having run two successful ventures before cashing out to join Plexus on the request of a friend who was already a partner in the firm Komawar joined in 1998 after leaving the US Till then Plexus was being run as a pure Web designing firm having had IndiaTimes as one of its major clients With Komawar as its CEO Plexus began the journey towards the kind of funds that would take into becoming what he describes as "architects for e-commerce"

In another office just as clean and compact near the Mahalaxmi Race Course, Ananth Nayak and Vivek Hurry manage an IT firm that is just gone onto the Net with a legal Website that they would like to transform into India's first legal portal Exsite is the product of an idea, an idea that germinated in Nayak's mind when he visited US in 1995 "I saw this software Folio and its application in legal and insurance and told Vivek when I came back, I think we got us a winner"

India's netizens multiply

India's Internet population is set to explode by more than three times within the next 15 months, according to the recently-concluded study by the Hyderabad-based MBL Research and consultancy Group. Entitled 'NetTrackin-The Indian Internet User Survey', the MBL study puts the number of regular and occasional Internet users in India at 1.5 million currently. These numbers are likely to swell to 4.6 million by December 2000.

Conducted door-to-door in eight major Indian cities to understand Web/Internet usage, the study covers detailed information on Internet penetration in India, users' demographic profiles, projected growth rates of Internet in India, on-line users response to e-commerce and Web advertising, and ISP and technology performance. In terms of gender-age profile of Indian Net users, one out of every four regular Indian Internet users is a female, and Indians in the age group 15-24 lead the pack. More specifically, 42 per cent of Indian Internet users fall in this age group, 30 per cent in the 25-34 age group and remaining (28 per cent) in the 35 and above age group. Geographically, almost 85 per cent of the Internet users in India are concentrated in eight major cities – Mumbai, Delhi, Calcutta, Chennai, Bangalore, Hyderabad, Ahmedabad and Pune – with Mumbai and Delhi accounting for more than half of the Internet user population in the country.

And what do the Indians use the Net for? Well, primarily for sending and receiving e-mails when it comes to accessing the Internet for personal use. In fact, communication and entertainment form the main personal activities on the Internet. And in the work-related segment, apart from sending and receiving e-mails and files, Indians use Net for product information, downloading software and to get information on current events among others.

Another interesting finding: 37 per cent of Internet users in India can be constituted as heavy users, i.e. they use Internet for more than 11 hours a week, 29 per cent use it for 5-10 hours and 34 per cent for up to four hours a week. On the other hand, 72 per cent of the Internet usage time is accounted for by less than two-fifth of the Indian Internet users. This is explained by the fact that more than three-fourths of Indians having access to PCs in one form or the other do not use these machines regularly.

As expected, 54 per cent of the regular Internet users in India surf the Web using the office account whereas only 21 per cent use their personal accounts. There is, however, a toast to honesty too, albeit small. One out of every eight Internet users in India use the personal account in his or her office to get on to the Web whereas only 1 per cent of the Indian users says that it uses (or misuses) the office account at home. Thirteen per cent of the regular Internet users have at some point searched for local-language Websites whereas 8 per cent claim to have made on-line purchases.

As regards performance of Indian ISPs, speed and ease of access remain the two most important considerations of the Internet subscribers followed by connection speed, ease of getting connected, installation and set-up assistance, etc. •

The two school friends had a software firm already specialising in training ship crew in Windows environ- ment. They approached D.M. Harish who was then compiling his case law book and obtained the electronic rights of the book. The idea clicked. By December 1997 they had published it as a CD-ROM incorporating case laws, Harish's commentaries and even on-line income tax forms. It was an interactive CD-ROM with 50,000 pages of contents. Priced at Rs25,000, the product found customers in Arthur Andersen and Maruti.

Then the Net bug bit. In July 1998, Nayak and Hurry packed their CD-ROM and their idea and approached Draper International for funds to go online. Nayak says that around the same time, Draper told him that they had just refused to fund a plan for a legal database. Says Abhay Havaldar of Draper, "Yes, that is true. But, in the case of Lexsite, we knew they were the right guys because they were willing to cannibalise their own CD-ROM product for the Web, a sign of sure commitment to the Net."



We need money to market ourselves aggressively, says Komawar

Rashesh Shah and Venkat Ramaswamy, both directors of Edelweiss Capital, are not just venture capitalists. They also operate an angel investment fund. Operating with funds from NRIs and others in America interested in Net start-ups from India, Shah and Venkatswamy found Neville Darukhanwalla, a young software engineer who had a novel idea; why not a site for Indian ports? Not just the data like shipping rates, get the customer and the shipper in closer contact touch with each other. After all that is what the Net promises to do; bring the service provider and customer closer to each other, no intermediaries. Says Shah, "We funded his idea because we saw he had a hunger for growth."

The story is most often repeated in Bangalore, a city

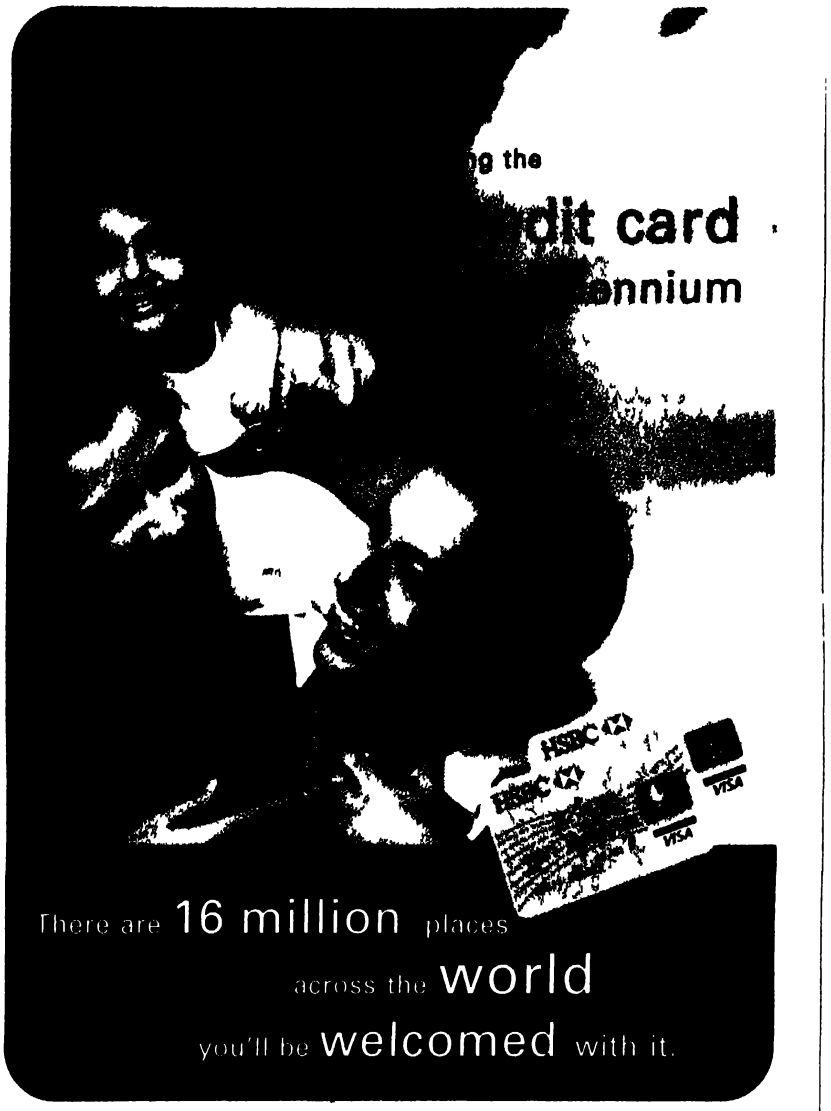
that Sethi points out is most conducive to the growth of "intellectual capital" Recently, Linc Software Services, a Bangalore-based company received a million dollars from ICICI ventures for expansion of its business plans and acquisitions in the US Like other venture capitalists ICICI will help the company execute its business plan identifying likely acquisition units in the UK and America In this context the board of directors of the company has been expanded to induct a managing partner from ICICI

Building partnerships

The contact point between the entrepreneur and the VC or angel investor is not limited to the injection of funds Typically DFIs and banks or FIIs and private equity funds (the latter have changed lately) have a one shot relationship offering term loans and waiting for the company to start repaying from its revenues and exiting Admittedly they have nominee directors on the boards but their role has been purposive more as an exception than as a rule In the case of the VC and angel the funds are in the form of equity and the relationship is typically a long term one Says Havaldar of Draper that has a $55 million fund for IT start-ups and expansions "We invest in a business plan and our time frame is four to seven years " Havaldar adds that the objective is to take the company to the IPO stage and he figures that is how long it would take Similarly Shah points out that as an angel investor Edelweiss will have a long relationship with Indiaports com, Darukhanwalla's firm because they want the fledgling to reach the stage where it can approach the VC and later to a private equity

This means that the stakes of the VC and the angel investor run deep, from a place on the board or even as advisors VCs will help the start-up find the right management team, market contacts help design financial statements for the next round of funding, in short, help the entrepreneur realise his dream

Given the nature of their relationship with the entrepreneur VCs as a rule will never invest in two companies in the same field Sethi points out that Walden has identified 21 blocks in hitech industry for funding plus eight in



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Venture capital spurs innovations

Do you know how many Indians aspire to become entrepreneurs in the IT and Internet sector alone in India? Three a day or 1,000 a year, if Sudhir Sethi of Walden-Nikko is to be believed. Does this mean that venture capital is proving to be an effective tool in promoting the spirit of innovations and entrepreneurship in the economies where it is beginning to play a crucial role? Positively so, according to two recent US studies reported in *BusinessWeek*.

In one of the studies, Samuel S. Kortum of Boston University and Josh Lerner of Harvard University found that "venture capital (in America) produces six times as many patents as a similar amount of traditional corporate research and development spending." The authors estimate that venture capital infusion in the US has, on an average, generated 15 per cent of the US industrial innovations.

Take another related study of 170 Silicon Valley companies from mid-1980s to mid-1990s. Professors Thomas F. Hellmann and Manju Puri of Stanford University Graduate School of Business (who have been quoted in *BusinessWeek*), found in their study "that companies pursuing an 'innovator' strategy – aimed at being first in their markets with a new product – are more likely to get venture financing than those developing a product that has existing competition".

Moreover, innovators tend to productise their technology much faster than others. The message is loud and clear: venture capital is helping companies to become increasingly innovative particularly through the active man-agement participation by the venture capitalists. •

Net-related activity. But he also adds that that means 29 players to be funded; one and only one or each block of activity. Komawar cites the case of a VC that approached him saying his would be the second company the VC would be funding. "How can you do that I asked the person?"

But how do the VCs decide the quantum of funding needed for the idea? Clearly this would be based on some reckoning of the business potential of the concept, on the capacity of the idea to give returns to the VCs. Havaldar is at pains to point out that VCs typically invest in the entrepreneur as different from a promoter that the FIs look at. So VCs will scrutinise a set of factors that are objective and also intangible. The business plan naturally; for Havaldar the achievements of the entrepreneur are important and the intangibles like the commitment to pursue the idea to fruition, the ability to work with the VC at every stage in the evolution of the company. Sethi needs to be convinced initially of "the space that the idea inhabits." And then the management team. Typically the entrepreneur need not be a great manager. In fact, often isn't. Given the nature of the new business in which more often than not the new concepts come from youngsters in the range of 28-30 years lacking professional experience, a good management team can spell the difference between success and failure.

At this stage the scalability of the project becomes important. Many hi-tech services have floundered on the rocks of unscalable operations, technology or even management. Valuations more often are made looking at this angle very closely. Says Sethi, "If the technology is not scalable it is not a negative but we need then to do a tech audit."



Promoters of established companies have been able to get funds through markets, says Shah

The next important set of factors is of course the extent to which the business plan or the entrepreneur has the potential to set up barriers to entry. Nayak points out that although his company may have the "first mover advantage" it is important to constantly innovate and provide new services and products so as to inhibit rivals from occupying the same space.

Valuations are not inspired by revenues but the capacity of the stock of the start-up to grow. Which is why so much emphasis is placed on the individuals running the show. Their levels of motivation, ability to innovate with speed and their capacity to work with the VC who is there to stay for a long time, these are subjective criteria that were never considered necessary when the FI was dealing with the promoter. To that extent the valuation that is placed on the company is often the function of the "chemistry": between the VC and the entrepreneur.

It is too early to predict the way that the companies that are in their fledgling state will grow. But one thing is clear. With the new business opportunities that the Net opens for this country the nature of entrepreneurship and capital funding will change very dramatically.

• ASHOK UPADHYAY and ANOOP BABANI

JUST A TREE BEING PLANTED

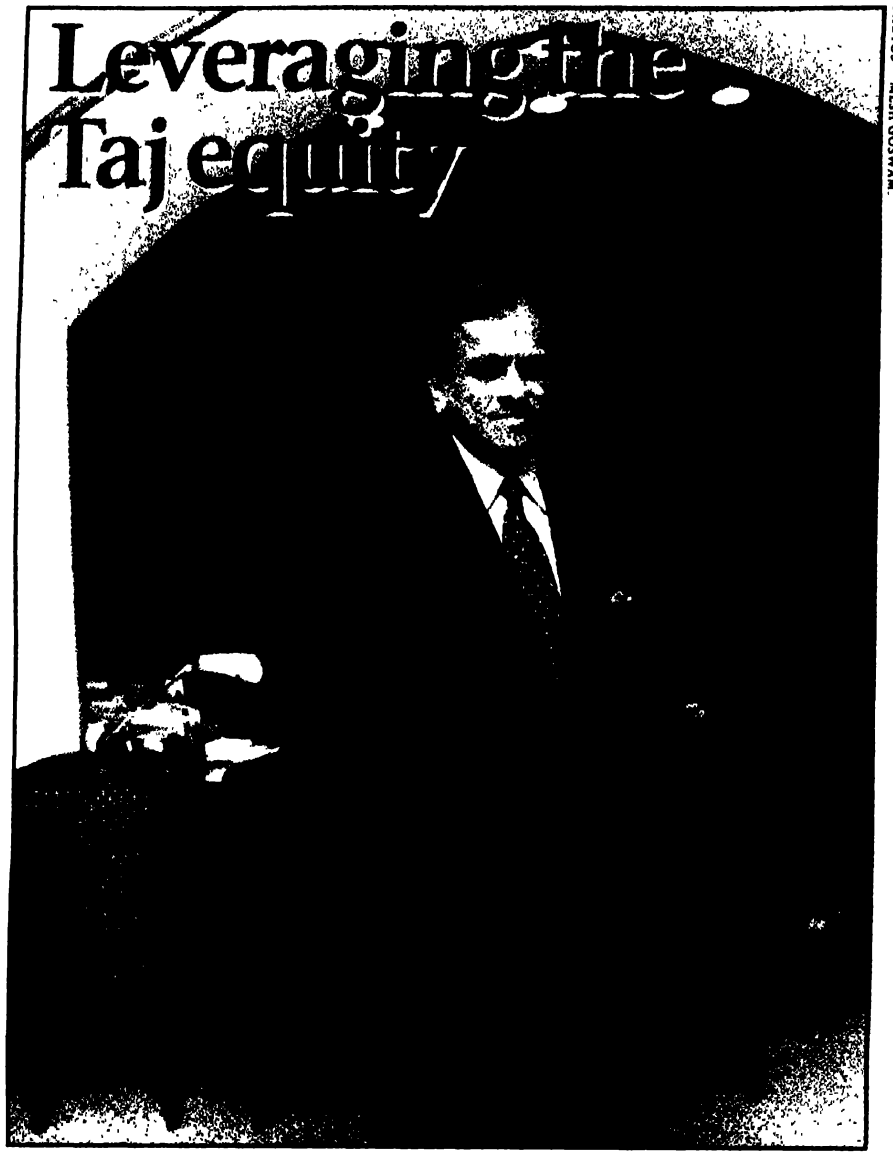


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Leveraging the Taj equity



PHOTOS: MEHER GOSWAMI

The last vestiges of Ajit Kerkar's insular and feudal style of functioning have been consigned to the bin. Uniform service standards, transparency, and a strong bottomline focus are Indian Hotels MD R.K. Krishna Kumar's thrust areas

On the ground floor of the old Taj Mahal Hotel next to the stately Gateway of India in south Mumbai, Indian Hotels managing director R.K. Krishna Kumar is assiduously poring over a blueprint that will turn India's pre-eminent hotel property on its head. Code-named Project Flamingo, it entails a Rs180-crore expansion plan that will refurbish the grande dame completely and unequivocally. On the anvil: radical structural changes in the lobby, a spanking new nightclub called 2100 in the basement, a state-of-the-art fitness centre replacing his own office, snazzier and hipper F&B outlets including an overhaul of Shamiana (the coffee shop) and the prestigious Zodiac Grill, improvements across the board to all the rooms, and a renovation of the swimming pool. Project Flamingo will be ready by mid-2001, making the Taj Mahal a truly world-class operation. The idea is that, when the customer interfaces with the hotel, it will be a whole new experience for him. Funded by internal accruals, this is part of the group's Rs800-crore expansion plan over a four-year period.

As Krishna Kumar finishes with the blueprint, he rushes for a confab in the boardroom, which during lunch time is transformed into a dining room for senior executives. It is the modern day routine of chow with a lot of jaw jaw! Old Taj hand Subir Bhowmick, senior vice-president who heads the newly-formed corporate operations and standards group, says: "The board/lunch room sees fascinating interaction and even animated debate between the senior management team and results in instantaneous and expeditious decision-making. This is a sea change from the past, when satraps would operate in isolation and report directly to the CEO."

This fascinating departure from the past has seen deliberate pincer movements to engage the enemy as it were. Whatever was perceived as a festering sore has been effectively cauterised. Be it the sale of properties in the US or refurbishing and branding of existing domestic properties or splitting sales and marketing functions for better returns or examining the viability of international operations *in toto* or creating strategic business units for greater efficacy or zeroing in on best practices in human resources or improving operating standards or establishing sales offices abroad or (in general) a slew of measures to revamp and overhaul the entire group into a lean, mean fighting machine, the Taj group has finally succeeded in reinventing itself after two years of endless churning and tumult. Read the beginning of the open culture in the Rs940-crore Indian Hotels and its associate companies.

Krishna Kumar, described by many as a fair and firm taskmaster who does not dither, categorically says: "The process of churning is over. At least for the next five years or so. Inertia is a great adversary and it was all-pervasive. I am a great believer in shock therapy. Change is part of the package of best practices. There were lobbies and pressure groups with vested interests at work. All this has been corrected. The unions saw the Tata intervention to systematically dismantle the regime of individual whims and fancies as a positive move."

A veteran of many a battle in Tata Tea, having served the group diligently for 37 years, the dapper Krishna Kumar

is dead against the system of inbreeding that had enveloped Indian Hotels. "These people suffering from tunnel vision saw less and less of the outside. The antidote was a management reshuffle. I know there is criticism that I manage by reshuffle, but I noticed that we had a pool of professional people who had spent almost 15–17 years on a single property. The task before me was to pose a new challenge to this individual's competence by exposing him to a new environment. So we went in for large-scale changes, the most important being to bring all operating personnel to Mumbai, instead of the regional heads. All this meant that I didn't take no for an answer and in the process we lost a few people, but the end result is that competent, dynamic, and forceful managers have come to the fore, taking the organisation forward." Since hoteliering is part of the services industry and intensely human-resource-driven, the key was to bolster HRD.

To achieve this, the Taj group decided to bring in an external whetstone in the form of the suave Bernard Martyris (senior vice-president human resources) from the rival Oberoi Hotels chain. And it appears as if Martyris is really pumping up the volume. Listen to what he has to say: "The entire thrust has been on implementation of modern HR practices, a strategy in consonance with the business plan of the company and the Tata group. Performance has become the cornerstone, ushering in a system of career and succession planning to bring about a cultural change in the work ethic so as to have a completely professional environment. Hence extensive training and development at the entire executive and staff level was initiated." All this will ultimately lead to the concept of smart sizing for a huge transitional change is underway at the Taj."

But what about the insecurity created by the reshuffle? "There is a certain amount of confusion and concern and, I guess, a residual wondering where we are headed as an organisation," says Martyris. "But concurrently there is a desire across all levels for this



Martyris has brought in external HR best practices to revitalise the Taj group

churning. For this is the only way to become a world-class player. The result is a mental paradigm shift, to move on and be part of the smart set which will play a critical role in the future progress of the company." The organisational compacting and flattening and productivity-linked performance has created role clarifications and definitions empowering people to strive for perfection.

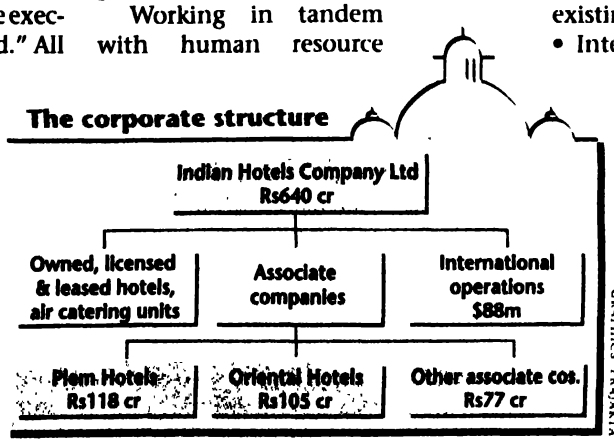
Working in tandem with human resource initiatives is the corporate operations and standards group headed by Subir Bhowmick. "During Ajit Kerkar's time we grew very quickly with the Bombay model taken to other properties. International chains are now entering India and, in the not-too-distant future, benchmarking will be done against global standards. In August 1998 I was asked to head the newly-formed quality centre for the group. My team's job is to refine various processes — lay down uniform product and service standards, technological changes, and best practices, and reduce wastage with a continuous profit motive."

Bhowmick maintains that the Taj group operated in the past on gut feeling and instinct, building on the foundation of the chief executive's vision, while the game is now all about branding. Apparently, group chairman Ratan Tata wanted common standards to be established across the three brands – luxury, business, and leisure – so that customer focus and service standards remained paramount.

Krishna Kumar remembers that the corporate operations and standards group fanned out across the globe, imbibing the best practices at, say, the Ritz Carlton or the Peninsula in Hong Kong and replicating them locally. "All this was forgotten in the fury of expansion. The mandate given to them and other key action groups was to look inwards so as to raise standards in the five strategic business units:

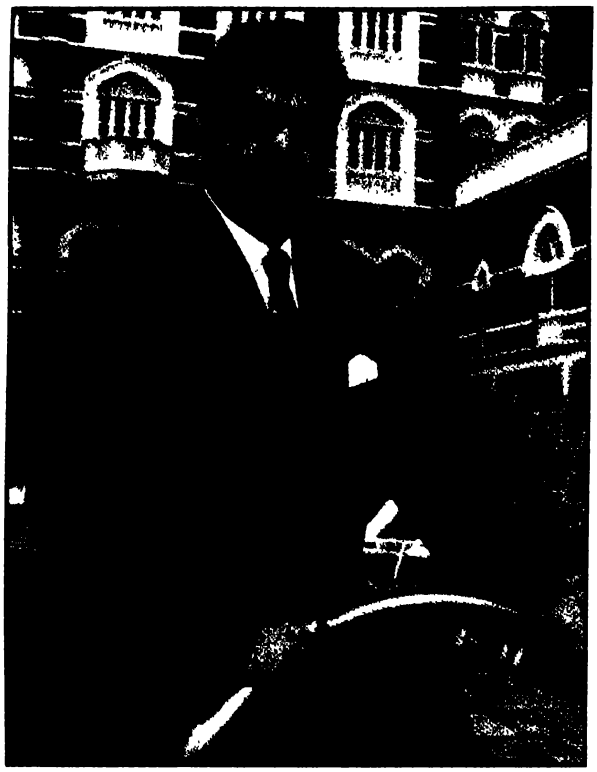
- Luxury – renovate, improve service standards and build selectively;
- Business – expand in the main metros and in state capitals and secondary towns;
- Leisure – consolidate and restructure existing operations;
- International – restructure operations; and
- Flight catering – explore strategic alliances to drive growth and profitability.

"This was a compelling market-driven need which also arose from the segmentation on the price front. We were sailing along merrily, not understanding the import of branding or positioning. Now there is a conscious bid to build brand equity and exploit the



Taj brand name."

Exploiting the Taj brand name to the hilt through the Taj television commercial was the best way to distance oneself from the past. Vice-president (marketing) Pankaj Baliga, another Taj veteran, says: "We brought in Rediffusion DY&R for the commercial and it was a big hit. I would say it was a very bold decision because, despite the fact that there was pressure on revenues, we looked at dovetailing the potential of Taj's brand equity and it has paid handsome dividends. Not only have we held on to our market shares, but increased it as well." In the process, adspend has seen a jump, up to Rs15 crore for 1998-99 and expected to touch Rs20 crore in the present financial.

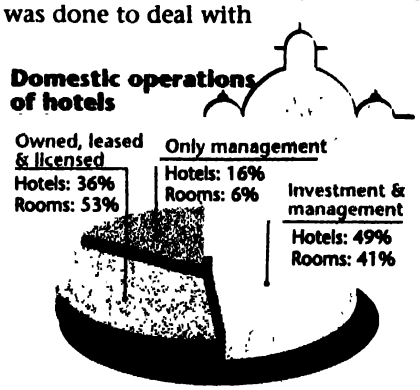


Bhowmick's concentration on internal systems, processes, and service standards is turning the group into a quality centre

Which brings us to the subject of Krishna Kumar's predecessor Ajit Kerkar's unceremonious departure. After all, when Krishna Kumar was foisted on the Taj group, not only was all hell breaking loose within Indian Hotels with a veritable slugfest between chairman Ratan Tata and Kerkar, but Krishna Kumar himself was involved in a running battle with the Intelligence Bureau over his alleged support to Ulfa cadres in his capacity as Tata Tea CEO.

Assisting Krishna Kumar in this task since earlier this year is the savvy Zubin Dubash, senior vice-president (finance and strategic planning), who came in midway through Operation Clean-up. His brief was clear — tighten controls through thorough analysis and action for the domestic properties and international restructuring through sale and refurbishment. Dubash says, "Strategic decisions were internally motivated, although Lazard Brothers' recast plan for international operations was most handy. We have managed to exit from the US at a very good value by selling the Lexington, New York, and Executive Plaza, Chicago, for $150 million. The three-star Lexington detracted from our brand value. We had a number of liabilities in the US and these proceeds were used to meet our debt obligations. The hotel business abroad is highly leveraged and, while the US economy is on an upward curve, and room rates are mirroring that phenomenon, we thought it was the right time to exit. However, it took almost a year to execute the deal. All the liabilities in the US have now been met with the sale. Further, we have refurbished and repositioned St James's Court in London at a cost of £17 million, entering into a marketing franchise with Crowne Plaza."

What is pertinent here is that there was no concrete demonstrable intent displayed earlier to tackle this monumental problem. Similarly, nothing was done to deal with the Sri Lankan trouble spot. But let Dubash take up the narrative once again. "Sri Lanka was also uppermost on our agenda and we are seeking a quick conclusion. Realistically speaking, we hope to definitively complete the negotiations in this financial year. Taj Lanka Ltd needs to be recapitalised. This exercise is not limited to finance but incorporates the business angle as well. Which means product upgradation, managerial change, and F&B innovations. While Taj Exotica at Bentota and Taj Airport are doing well, Samudra alone has a debt burden of $32 million. We have reached an understanding with the Lankan banks whereby we have initiated the process of recapitalisation."



Dubash says the liabilities in Sri Lanka are staggering because of forex losses and the interest cost built up over the years. "We would like to sort out matters honourably and reach an amicable settlement with the lenders." Similarly, a realignment is underway at Oriental Hotels, where Indian Hotels is shifting equity held by its 100 per cent subsidiary Taj Investment and Finance Company (TIFCO) to itself. This is obviously being done with a view to consolidating its shareholdings in Oriental Hotels so that, over a period of time, it becomes part of IHCL. Oriental presently manages and owns Taj Coromandel, Fisherman's Cove, Kovalam, Taj Madurai, and Taj Vizag.

Analysts maintain that centralised planning, branding, and segmentation have improved operational efficiencies. Ingo Schweder (an old Oberoi hand), now vice-president (operations and marketing) of Indian Hotels & Health Resorts, which is ready to launch a 76-room resort-cum-spa at Rishikesh (Ananda) in a joint venture with a world-class hotel chain, reckons that the Taj group is presently re-identifying its strengths and weaknesses by repositioning its brands. "It is a very strong brand. And while the journey to reorient and refocus itself might take some time, the group's base is very strong."

"All intractable financial imbroglios have been resolved"

He has walked the tightrope between managing change at Indian Hotels and sashaying away with his head held high from the Tata Tea–Ulfa maelstrom. Two years after taking over the Taj group, 61-year-old **R.K. Krishna Kumar** spoke to *Business India* about agent transformation

When you took over Indian Hotels, you were caught between a rock and a hard place, coping with the travails at Tata Tea and trying to come to grips with the unsavouriness at the Taj. What then were the strategic imperatives before you?

I guess the key was to bring in change. The Taj group had physically expanded over the last 25 years. I wouldn't have wanted all of this to happen. My predecessor Ajit Kerkar captured new destinations with strategic moves. By doing that he created additional capacity. But the point here is that this was all very well in the boom years, in the main 1994 to 1996. When the hotel industry began to face a downturn we were caught completely off-guard and this imposed a severe burden in the medium term.

My first task was to conduct a qualitative inspection of the opportunities and look at individual hotels which were not making net profits even though the group was. Similarly, we found our international operations not performing adequately, particularly the US end of things.

Then why do you believe no attention was paid to this critical aspect?

Remember, those years saw demand outstripping supply, so companies became insular. The challenge is to raise internal standards by using global best practices — upsell rooms by bringing in revenue- and yield management. So I decided to beef up infotech and created what we now call COSG (corporate operations and standards group) to bring in uniformity across all Taj properties.

When you say insular, what exactly do you mean?

There were 49 general managers who directly reported to the CEO. There was a great degree of *ad-hoc*ism. Interaction between these people was absent since it was a very individually-driven and iconoclastic organisation. A tremendous opacity existed and I have tried to radically transform this by making decision-making not only expeditious but also a transparent process.

What were the first few months like, considering you weren't even a hotel man?

The first five or six months were very tough, as I was being buffeted between Indian Hotels and the problems at Tata Tea. I was fortunate in that I had strong support from Mr Tata himself during those trying days. A great part of my time initially was consumed by a massive clean-up operation as there were intractable financial imbroglios which had to be resolved. These issues would have frightened anybody. The process is finally complete. It was like a maze – there were 48 shell companies – and we have managed to clean it all up. Concurrently, there were other sensitive and complex issues with several of our partners that had to be smoothened on a fair and equitable basis.

Going forward, what is the agenda?

For everything I am applying a stringent financial returns calculation. Global heavyweights will be descending shortly and we have to prepare ourselves with world-class properties and service standards. At all times we have to focus on the fact that investments in new properties should provide returns.

Analysts are particularly hopeful about the business segment because margins are higher here unlike the leisure sector, which is extremely price-sensitive. Analysts bullish on Indian Hotels feel the scrip would at best move sideways. The spiral in the stock price (Rs465) is attributed to the streamlining of operations, as also the impending revival in business travel.

Baliga says, "Average room rates have been going down for the last two years, so one had to create another segment in order that total yields through all rooms increased. For a superior deluxe property room, the cost is in the vicinity of Rs75 lakh. As such the ARR is Rs7,500 (without the cost of land) and it breaks even at 66 per cent occupancy. Leisure is all-encompassing these days and that is precisely why we not only pushed for business hotels in smaller cities but also actively looked at promoting resorts-cum-spas. These are the new segments." The rationale was that there is a new pyramid of demand with continuing growth in luxury at the pinnacle, but deepening of the business hotels in the middle and Gateway resorts/leisure-cum-ayurveda without frills at the base is likely to fulfil the objectives.

Krishna Kumar provides insights about the direction international operations are going to take. "I want to look eastwards. I am keen on Thailand, Bali, and select gateway cities in the US. We are already in a dialogue with institutions, though it is still at a nascent stage." Dubash adds, "The reason why we haven't acquired anything yet is that we haven't got any good bargains. The Southeast Asian crisis was short and we couldn't foreclose quickly. We are not at all averse to picking up a good property in the West. This will not be a destination shift but a qualitative shift. Logically we are targeting areas where either our customers are coming from or, conversely, are headed. As such, the Middle East can be a vital link in the chain because of the added advantage of brand recognition. We are already exploring two or three options, ideally taking the management route, but if the property lends value then we might even opt for ownership. In Maldives, too, we are looking at refurbishment. The action plan is to be more



Turnover: 53%
Profit: 77%
of the group's domestic operations

- **Taj Mahal Hotel, Mumbai**
- **Taj Mahal Hotel, New Delhi**
- **Taj Palace Hotel, New Delhi**
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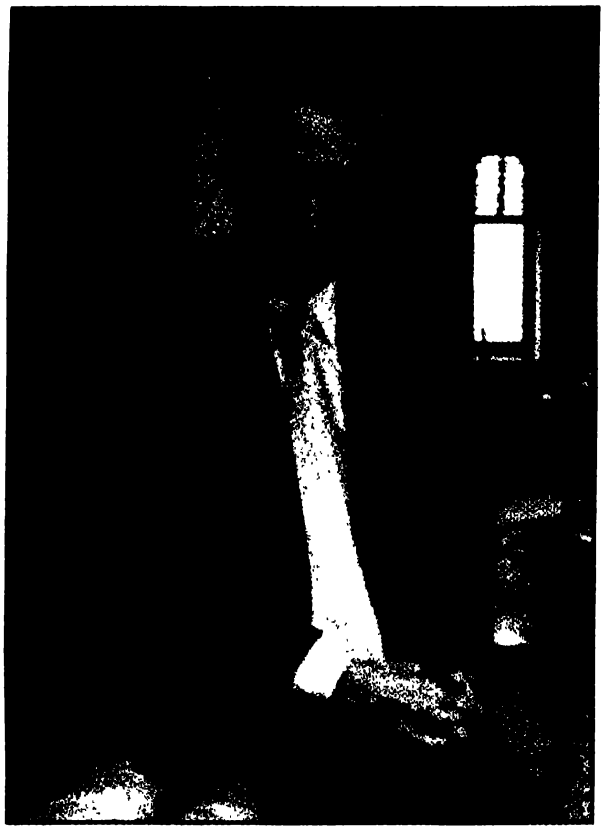
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opportunistic, adding to and complementing our brand. As such I would like to be in New York or, maybe, a resort destination near Silicon Valley."

To come back to India, where the Taj remains the undisputed leader, the Indian Hotels management has a battle plan in place. Other than opening new properties in Goa and Jodhpur, the Taj group is ready to unveil two other properties (one is being acquired and the other managed) on the lines of the recent Blue Diamond acquisition in Pune. Krishna Kumar reckons that capacity additions will come in the business segment, where 17 new cities and towns have been identified and will end up with the Taj Residency tag. The profit motive will remain top of mind in all these forays. Along with Project Flamingo in Mumbai, Delhi's Taj Mansingh will undergo a Rs60-crore renovation, while Calcutta's Taj Bengal's refurbishment is slated to cost Rs21 crore. Also on the anvil is renovation work at Fisherman's Cove in Chennai, Taj Malabar Cochin, Rambagh Palace Jaipur, and Lake Palace Udaipur, which will be done in a phased manner and will telescope into 2001.



Branding and segmentation are the drivers, according to Baliga

While attempting to delink segmentation from branding, Krishna Kumar also split marketing and sales functions. "My contention is that sales includes field operations, while marketing is strategic in nature, providing value-additions to enrich a customer's experience of staying at the Taj." Pankaj Baliga thinks this was a very good move. "There is no diluted focus any more, and while a synergy exists at the board level, the lines of business are independent. After all, we are in a highly capital-intensive business which requires constant re-energising. The unaided brand recall of Taj is very high, it is a trusted name. Relationship marketing are the latest buzzwords." Vice-president (corporate communications) Ravi Dubey adds, "The emotive aspect of our caring attitude is the most appealing as it brings forth the uniqueness and warmth of the Taj."

And as part of this push into new territories, Indian Hotels is being propelled forward by Krishna Kumar. Cost-benefit positive is the jargon, go out and meet your customers being the rider. From one marketing office in London, Indian Hotels has added three more in 'source markets' like New York, Singapore, and Frankfurt. The logical corollary is to target incremental benefits, so going forward the Taj is looking at several million dollars worth of brand new business. The London and Frankfurt offices are both being upgraded and California (either San Jose or Palo Alto) will see the birth of yet another, followed at a frenetic pace by marketing offices in Hong Kong, Japan, and Dubai. Another key strategy is to develop a new tourism triangle as a package — Maldives, Sri Lanka (where, Dubey says, the natural environment is a lot better than what it was due to the slight de-escalation of the internal strife), and Kerala. The Taj group is very well positioned in all three areas.

Taj International Hotels

- St James's Court Hotel, London
- Taj Samudra, Colombo
- Taj Exotica, Bentota
- Taj Lago, Maldives
- Taj Coralreef, Maldives
- De l'Annapurna, Nepal
- Taj Sheba, Yemen
- Sohar Beach, Dubai
- Princeton, Dubai
- Admiral Plaza, Dubai
- Airport Garden, Colombo
- Pamodzi Hotel, Lusaka
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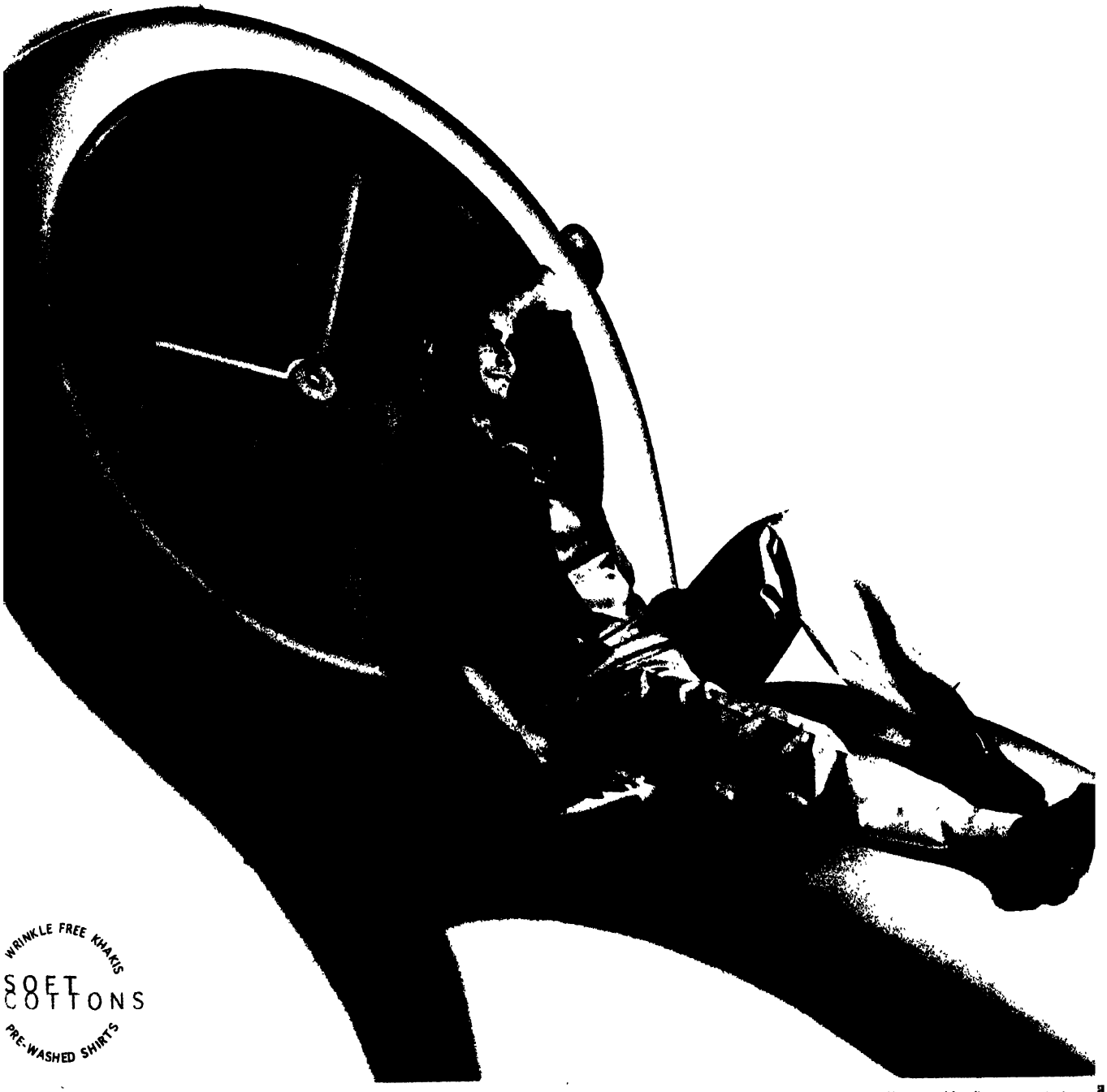
From a single hotel Ajit Kerkar, unarguably a visionary, built Indian Hotels into India's *numero uno* chain, but somewhere along the line, while personalised service remained top of mind, globally competitive standards and best practices escaped his attention. Bedevilled initially by an array of problems, the new management team at the Taj led by Krishna Kumar is coming to terms with an organisational view of an efficient and professional work ethos which capsules into a narrow service focus. That cutting and probing edge is being taken to the next level of competency by bringing in expatriates like Nigel Grocock at the Taj Mahal, Mumbai, Bernard Devillele in London, master chef Bernard Koehnig at Taj Exotica in Goa, and housekeeping specialist Irene Seille, among others. At all times the process of cross-fertilisation is being done as the Young Turks from Taj cadres are underpinning them to learn and excel consistently and continuously in this ever-evolving age. Matrix formations and task forces have stood KK very well till now; transparency and equity will steadfastly remain the foundation of interacting with the Taj. For she is the Taj, the grande dame who has had an internal makeover.

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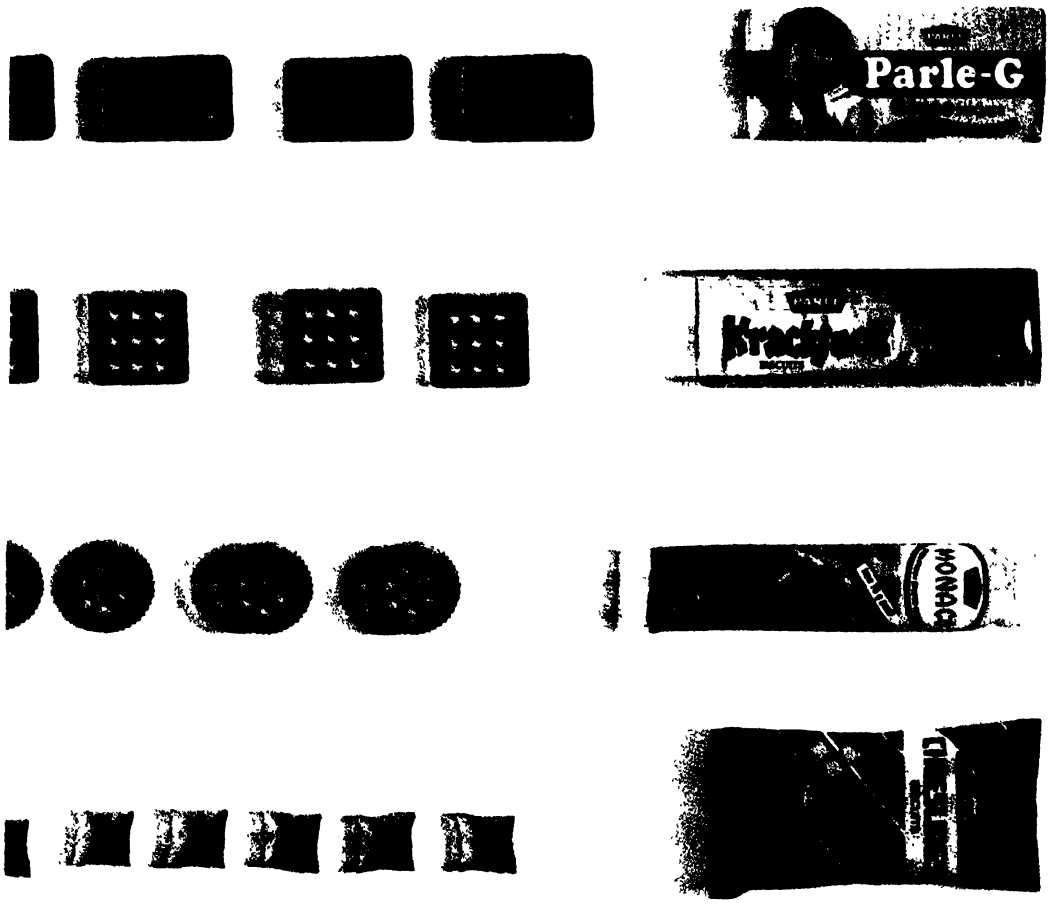
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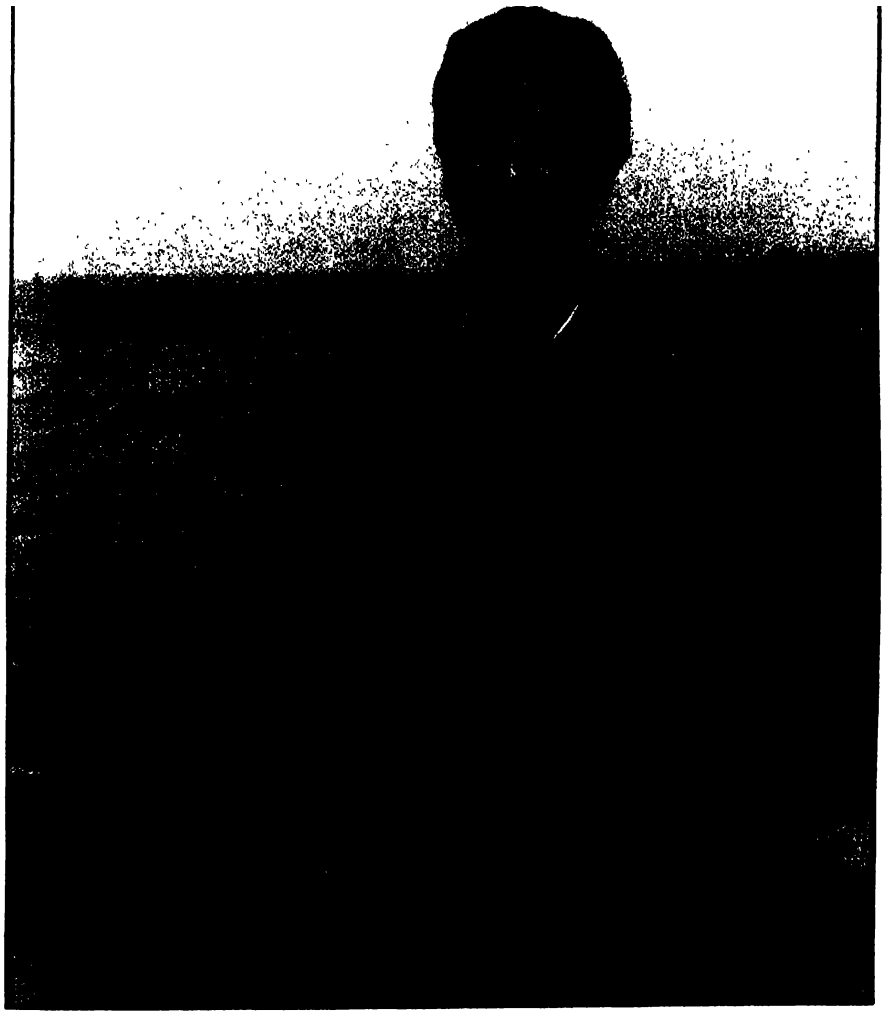
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We are a scaleable and flexible organisation, says Connolly

Worldwide, SAP AG is beginning to slow down. But in India it's a different story. According to a recent article in *Forbes Global*, the Walldorf (Germany)-headquartered $5-billion enterprise software company's growth is showing signs of slowing down. In January, the company announced a 15 per cent increase in gross profits to $1.15 billion (Rs4,945 crore) on sales of $5 billion (Rs21,500 crore). This, after having experienced spectacular earnings growth for 10 years. In fact, between 1993 and 1997, SAP's net income jumped from $88 million (Rs37,840 crore) to $555 million (Rs238,650 crore), making it one of the most dazzling technology success stories in Europe.

The Indian subsidiary set up in 1996, has emerged as one the fastest growing subsidiaries of SAP AG. Its activities comprise sales of SAP packages, implementation support, training and certification of its users, partners and individuals. Ruth Connolly took over as president & MD of SAP India after Roukiah Ahmed, in 1997. While the registered office continues to be in Bangalore, for all practical purposes Connolly operates out of the Mumbai office.

SAP India has no dearth of customers. Mumbai-based Mahindra & Mahindra was one of its first customers, followed by Arvind Mills, Essar and the Tatas. While SAP had an easy point of entry because of its global roll-out, it did have to educate its customers on the benefits of its products. Over the last three years, the company has registered a compound annual growth rate of over 100 per cent. For the first half of the current calendar year, SAP India registered a growth of 50 per cent and is expecting to finish the year with an overall growth rate of 40 per cent. According to IDC figures, SAP holds 58 per cent of the Rs520-crore Indian enterprise software market. The closest competitor, Oracle, is trailing behind with a 7.8 per cent marketshare. Worldwide, SAP still commands 36 per cent of the enterprise software market, with Oracle holding a 10 per cent share.

To understand the success of the Indian chapter, we would need to understand the dynamics of the parent company. SAP AG was formed in 1972 by four ex-employees of IBM, Germany, who wanted to produce and market standard software for integrated business solutions. They started a little company (with a big name) called Systemanalyse und Programmentwicklung. Since then the company has become SAP (Systems, Applications and Products in data processing). The company started with standard, mainframe, IBM-based systems, but it practically killed its technology base overnight by introducing its famously complex product, the R/3 client-server. By moving away from a central server to a three-tier low-end machine structure, SAP moved to an entirely new way of doing business, technology-wise. Combined with this was the move to a departmental approach to software business processes. While it took SAP 20 years to get 1,000 mainframe customers, it took the company only three years to reach a customer base of 7,000 client server customers. Now SAP is in the middle of another big revolution, mySAP.com.

Today, SAP AG's key asset are its 27,000 employees globally, who work along 19 industries, understand the business of its 12,000 global customers and the marketplace, and translate this into software business. At least nine out of 10 customers belong to the top 10 of the Fortune 500 listing. The company has three strengths. One, is technology leadership in the ability to pick, and to run at the right time, the wide technology that enables mission-critical applications for companies. Two, is understanding business needs and using technology as an enabler. And three, having a wider vision. According to Martin Breuer, senior V-P, marketing & regional support, SAP Asia, the company led two major changes in business technology over the last 20 years – the enterprise software that automates and synchronises everything from the accounting department to the warehouse. And second, is connecting entire organisations globally. In the Asia Pacific region alone the company employs 1,300 people. Their main customers in this region are the small and medium sized companies.

SAP's business solutions

E-commerce
- SAP B2B procurement
- SAP online store

SAP employee self service
SAP customer relationship Management
SAP business intelligence
- SAP business information warehouse
- SAP knowledge management
- SAP strategic enterprise management
- SAP corporate finance management

SAP supply chain management
- SAP advanced planner and optimiser
- SAP logistics execution system

SAP R/3
- SAP R/3 financials
- SAP R/3 logistics
- SAP R/3 human resources

SAP treasury
SAP real estate
SAP environment, health & safety

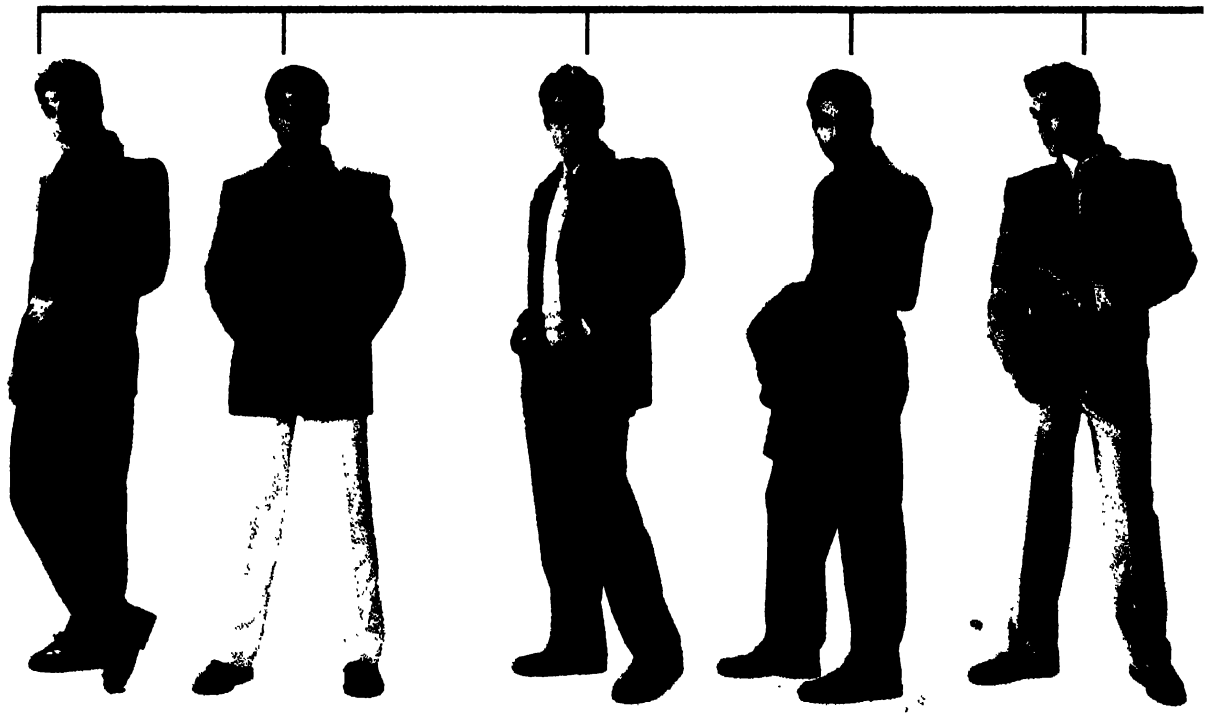
SAP industry solutions complementary software,

SAP business technology
Year 2000
Euro

Closer home, SAP India recently launched its comprehensive e-business solution, the mySAP.com initiative. The idea is to enable companies to participate in the Internet economy. With mySAP.com, SAP is essentially building on its client-server technology, as well as embracing the new business models that the Web is creating in the marketplace. "This is an opportunity for companies to go global bearing in mind that they may not be doing global business today, but in a couple of months using this technology, they can become a global player," says Breuer, who was in Mumbai recently. The product was launched in the US in September, and its official debut for the Asia-Pacific region will be at the end of October.

Obviously, SAP has recognised that

ANOTHER THOUSAND YEARS OF TEAMWORK.



AND RAYMOND SINCE 1925.

the world has changed and that in the Internet economy it is critical to not only put up nice Web pages, but also make sure that all the employees are empowered to work in collaboration with the Web. Hence, SAP has built a so-called workplace (or a portal) that brings together internal business applications, external business applications and the Web. "There's a lot of hype in the marketplace regarding the Internet. Our value proposition is that we can bring the entire operations of a company on the Web. More importantly, we are trying to empower employees to interact (or connect) to other companies globally through Web technology via mySAP.com," says Breuer.

The meaning of this would be clear from an example of the oil and gas industry, which has various hubs globally. Alaska is a hub in the north. So what SAP is doing with the oil and gas companies in the north is basically assembling them all on the electronic marketplace on mySAP.com and, as the first step, the companies are buying and selling jointly in this marketplace. "This is really a revolution for these companies as they are not used to collaborating in such a manner," he adds.

What SAP is offering the Indian market is to take its customers beyond the traditional ERP into different business scenarios in specific marketplaces. "Every customer that we speak to is looking at what the Internet economy holds for him. And, in this manner, we are in a position to enable Indian businesses go global," says Ruth Connolly, president & MD, SAP India. In fact, SAP India's customers are beginning to respond to this changing environment. Mahindra & Mahindra recently launched its Web-based used car sales site. Telco, another SAP India customer, has connected its tier-one and tier-two automotive suppliers to itself (Telco) and they are all now working in a supply-chain world.

One of the main reasons for SAP's tremendous pace of growth in India is the environment itself. While most Asian countries were affected by last year's financial crisis, India has been one country that has managed to stay relatively unaffected. In 1999, the Indian enterprise software industry registered 100 per cent growth to Rs520 crore from Rs280 crore in 1997-98. A recent Nasscom survey estimates the ERP market to gross Rs1,000 crore for fiscal 1999-2000, and Rs1,800 crore by 2001.

In India, government spending on information technology has been increasing. The last annual budget allocated 1-3 per cent for IT infrastructure in various government and public sector companies. Also, though the ERP industry is at a fledgling stage, local industries are catching up with implementing ERP. Another reason for the slowdown in ERP in markets other than India is that budgets were diverted to Y2K solutions through the year. Another slowdown factor emerged as companies focused on e-business and the Web, and began demanding a similar kind of connectivity and delivery from ERP. Today, SAP is probably the last major ERP company to offer a Web-faced system.

SAP India measures its success by the client's stockmarket performance.



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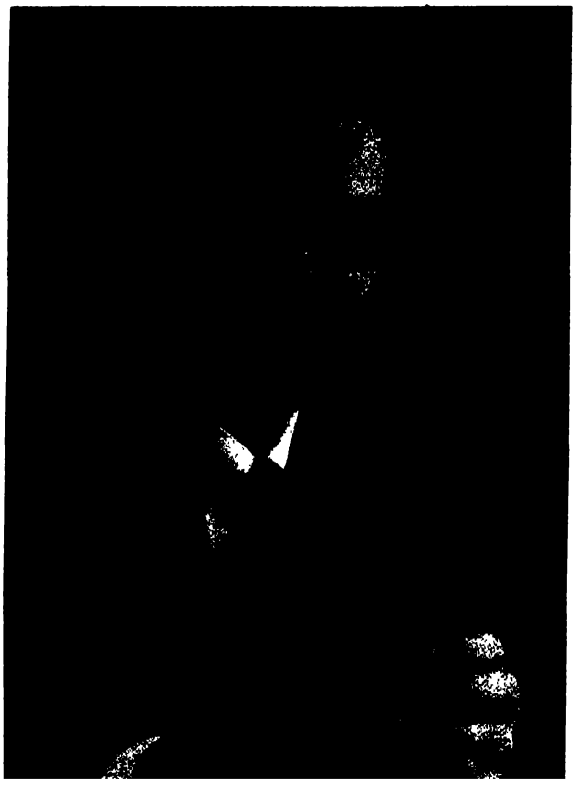
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The total market capitalisation of SAP India's 140 customers is close to Rs1,50,000 crore. In fact, share prices of SAP customers have actually been on the rise. Besides the deregulation of the economy in the past six years, there are a number of factors for SAP India's success. "It is the business processes that we are able to implement in the large scale and also small customers that has helped us," says Connolly.

Contrary to popular belief, SAP India often works with small companies. SAP India's clientele stretches from Reliance Industries, Ranbaxy and Indian Oil on the one hand, to companies such as Widia and Kalyani Brakes whose turnovers haven't yet exceeded Rs100 crore, on the other. There is logic in the scalability and flexibility provided by SAP. Take Widia or Kalyani Brakes, for instance. The scale of operations may be small to begin with as fewer 'licences' would be required. (System software is sold on the basis of the number of users. SAP implementation works this way: one person who uses the SAP package in a company is called a licencee. So if there are 10 users in a company, then the company requires 10 licences.) But as the company grows, the number of licences will increase, and that's where SAP's business interest lies; licences account for over 80 per cent of the company's revenues. According to Marakand Deolalkar, head of SAP group at L&T Information Technology: "The role of IT has evolved over a period of time. From helping operational efficiency, IT moved to being a competitive tool. Now IT is a way of doing business. The cost is therefore according to what value you are wanting to add to your business."

Also, Indian companies have been quick to adapt to the changing environment, which has helped SAP India grow. "Indian organisations actually adapt SAP sometimes faster, or almost at the same speed as global companies," says Avijit Biswas, consulting director at SAP India.



With mySAP.com, we can bring the entire operations of a company on the Web, says Breuer

SAP India is dependent on the parent company for technology and business practices that represent them globally, but it also looks at what works for the Indian environment. Since 1996, SAP has had its R/3 solution tailored for India, designed to meet the country's tax regulations. However, the big challenge comes at the time of the Budget, when SAP not only sees the value changes in the taxation, but also the process changes. The bigger challenge is being able to deliver the changes in double-quick time, before they begin to affect the customer. Response-time has been improving. Last year, SAP India's response time to implement changes was below three days, a bit better than their European counterparts. In the EC countries, where there was a similar change in the tax structure, it took SAP a little over four days to implement the changes.

SAP moved from being a product company to a value-addition company when it set up its consulting division which employs 50,000 certified consultants. Here, SAP is assisted by its appointed partners such as Leading Edge and L&TIT, to mention a few. Consulting accounts for 3-5 per cent of the company's revenues. SAP India employs 50 consultants.

Last year an R&D centre was set up in Bangalore, SAP Labs, which is SAP's second development centre in Asia after Tokyo. The 300-strong Bangalore lab caters to the Asia-Pacific market and is SAP's third largest research facility after Waldorf, Germany and Palo Alto, US. SAP Labs, Bangalore, works on localisation for India as well as for projects in and around the Asia-Pacific. To ensure that customer development work is done under a framework within the SAP environment, changes recommended by customers are incorporated into products at this facility. Globally, close to 15 per cent of revenues are spent on R&D. However, the equation has changed over a period of time. In 1994, 25 per cent of revenues were spent on R&D. With the success of ERP, 50 per cent of revenues globally are now spent on R&D, which is extraordinary for the industry.

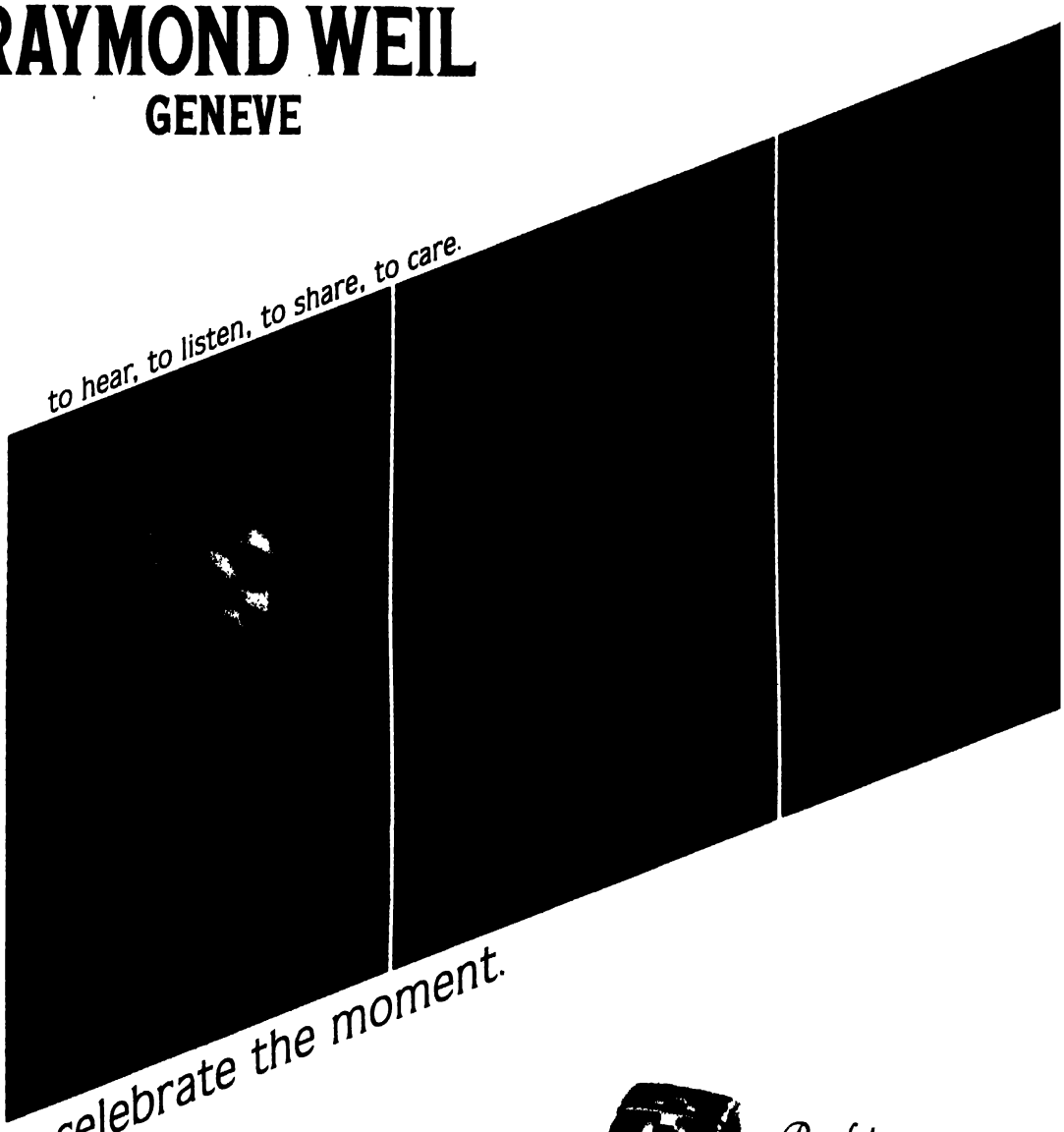
The demand for ERP in India led to the need to provide proper training for its customers, partners and students. In fact, the demand for ERP also led to unauthorised training centres across the country. SAP India responded by setting up the Sapient College last year in Mumbai and Bangalore to bridge the gap between the existing supply and demand for SAP professionals. One authorised training centre, in Chennai along with Siemens, supplements the Sapient College's training efforts. Plans are to open two more ATCs, in New Delhi and Calcutta, by the year end.

Of course, with all the action that is going on at SAP India, Connolly isn't sitting back. She is hoping to close the year with an overall growth rate of 40 per cent. Future growth will be from both the traditional ERP and mySAP.com.

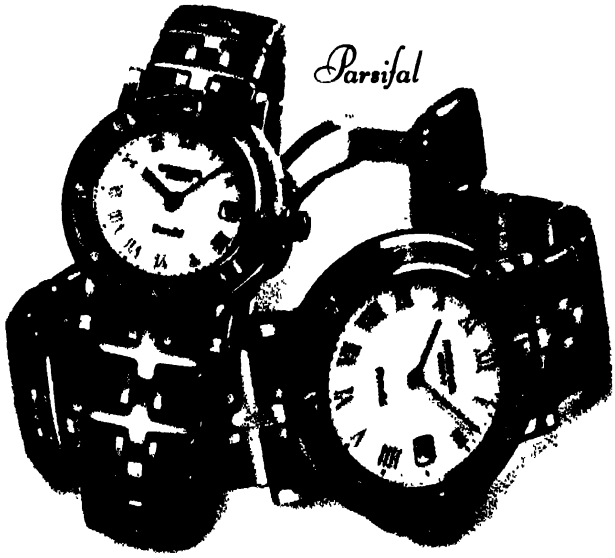
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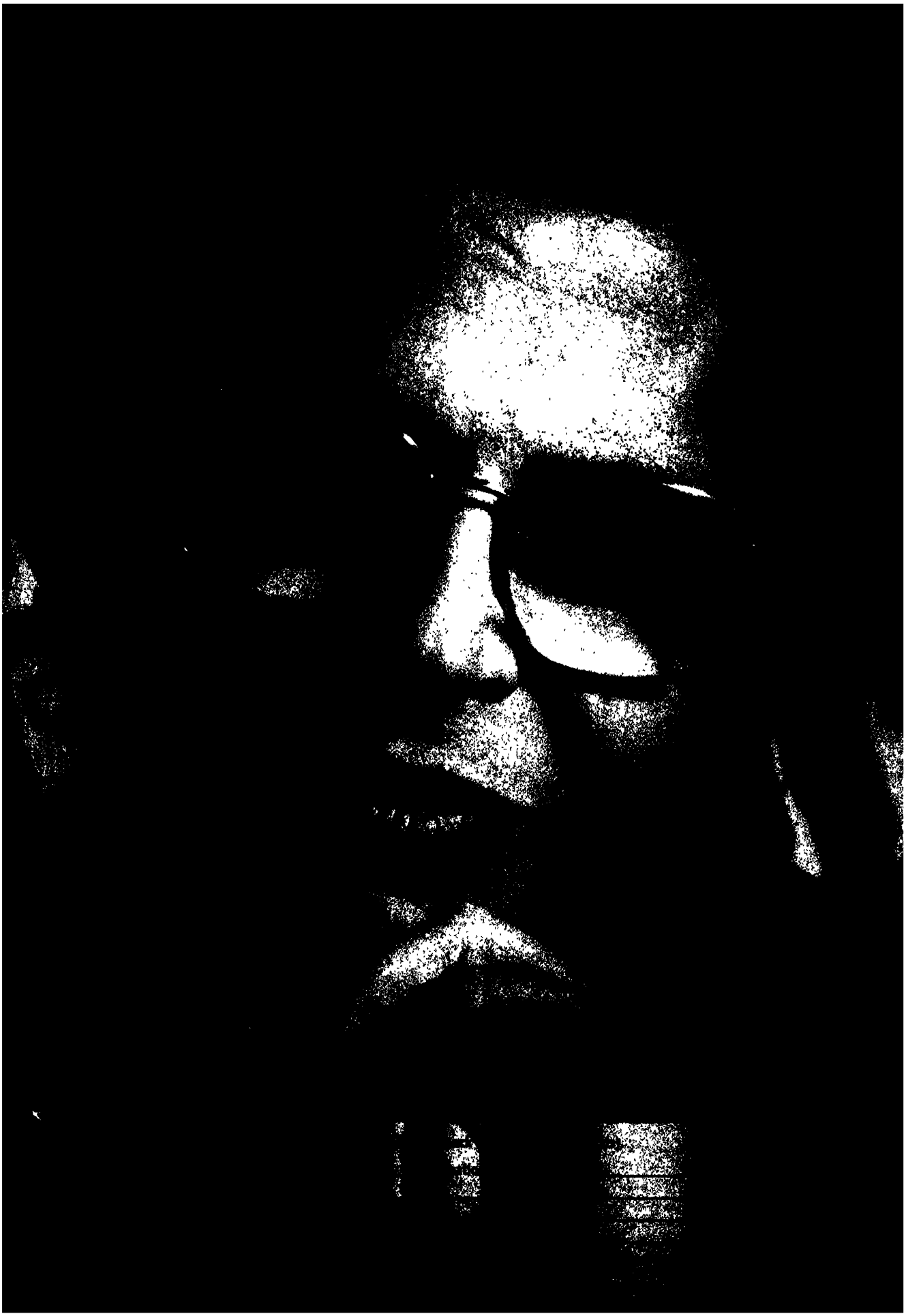
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- K.B. Dadiseth, [illegible]

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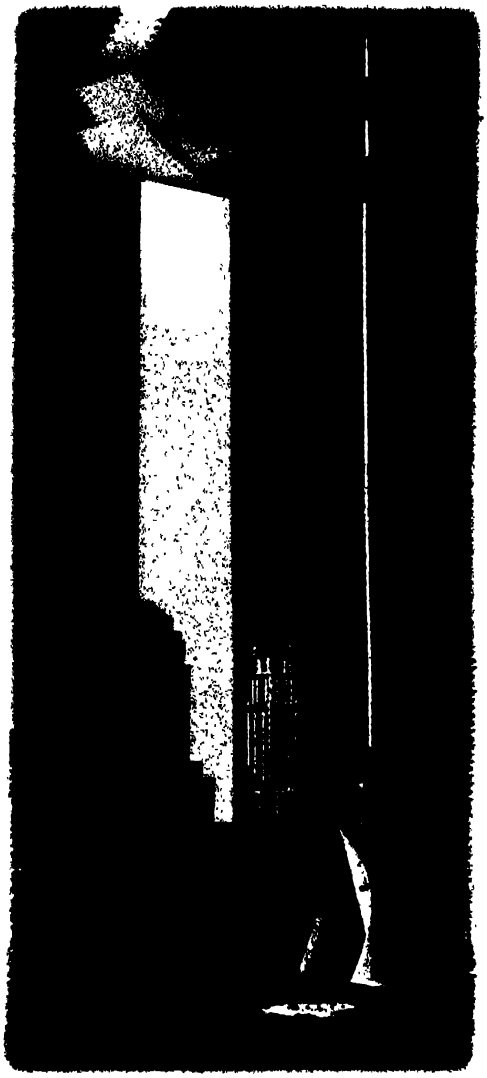
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PHOTOS PRAKASH JADHAV

Net profit must be at least 3 per cent of sales, says Iwata

Turnover went up a modest 7.8 per cent from Rs268.81 crore in 1997-98 to Rs289.88 crore in 1998-99. Net profit showed a sharp rise – more than trebling from Rs1.61 crore to Rs5.69 crore – and the scrip, quoted below par a year ago, now hovers around Rs18. "A good performance," agrees Nobuhiko Iwata, managing director of Pune-based Kalyani Sharp India Ltd (KSIL). "But not yet satisfactory. The profit is just 2 per cent of sales. We must get at least 3 per cent — that is the target for this year." Iwata's posting as MD since November 1998 is his second stint here.

As Sharp Corporation's chief liaison officer in Mumbai from 1988 to 1991 he was involved in setting up the joint venture with the Kalyani group a decade ago. "This company is my child!" he quips. Originally held in the ratio of 40:40 with 20 per cent in public hands, KSIL became a Sharp subsidiary in January 1996 when the Japanese electronics major increased its stake to 51 per cent. Sharp also put in its own people in the three vital functions of MD and technical and finance directors.

But it was not these changes that improved the company's performance, Iwata insists. Sharp policy is to give the best possible technology, guidance, and quality control in production and other areas, whatever the shareholding pattern. "Our Indian partner didn't know anything about electronics," he explains. "So from the beginning they listened to our advice on whatever we, even as minority shareholders, thought was good for the company."

The big change since 1996 has been that KSIL has started exporting on a major scale, selling video recorders and players to other Asian countries as well as Europe. After concentrating on areas using the PAL system, KSIL changed its destination to the US. Currently selling 300,000 VCRs and VCPs a year, it has been selected as an 'excellent export company' in the last two years. "We are very proud of this," says Iwata. "At the same time we are also proud of our quality. This has been the prime objective since 1989. We have exported over a million pieces, but we haven't received a single complaint from an overseas buyer."

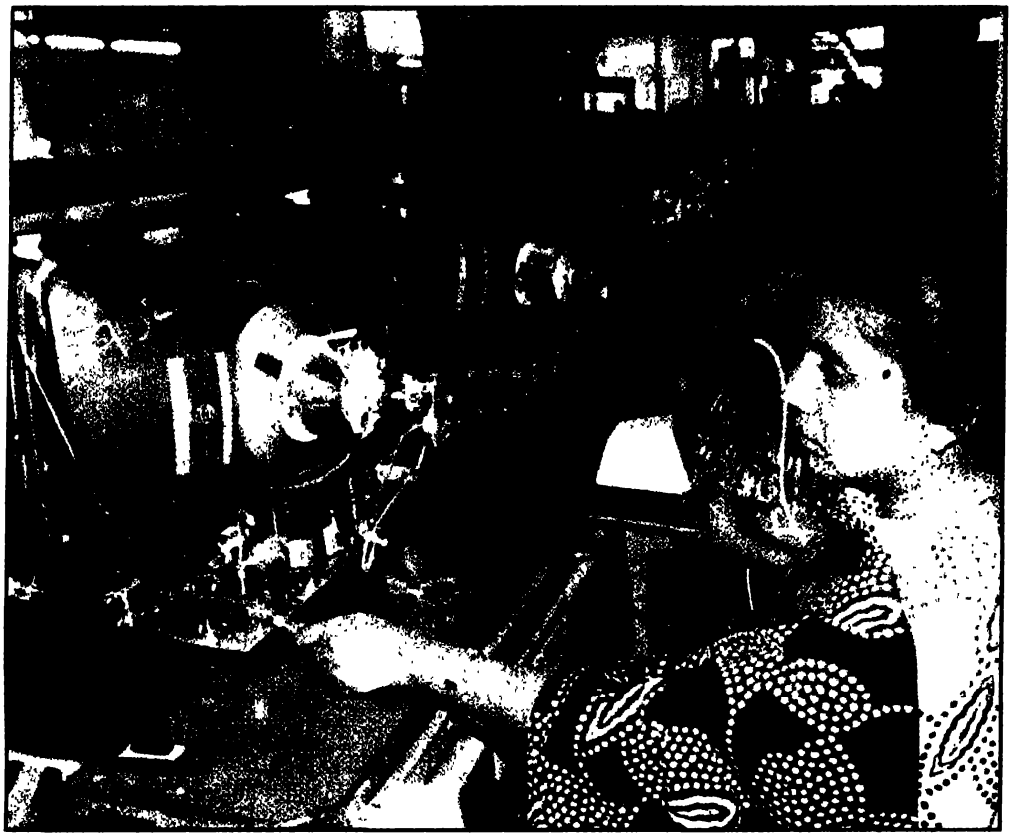
In the domestic market, too, Sharp colour televisions (CTVs) and audio equipment sell because of the same high quality though they are positioned at the higher end of the price scale, he claims. KSIL faced a problem with a Bangalore-based company when it changed the brand name in India from its original Optonica to Sharp in 1996. "But it has been sorted out amicably," he says.

So why was the company doing so badly all these years? "Our product planning was wrong," Iwata admits. "We didn't design and produce models which matched the Indian taste." Models which sold well in Europe and the US were not appreciated in Asia. Three years ago it set up a research and development centre in Kuala Lumpur which designed the first exclusive model and chassis for Asian countries. It also found, however, that even this did not fully match Indian requirements; so its engineering department modified both looks and specifications. In cassette and CD players, Iwata explains, Indians want a higher audio output; in CTVs the colour must be greenish rather than other peoples' bluish preference.

But even producing around 1,000 CTVs and 3,000–4,000 audio sets a day, Sharp isn't exactly a big player in the Indian market yet. "They have very few models in both CTVs and music systems," an electronics equipment dealer points out. "The only advantage they have in the marketplace is their seven-year warranty for their CTV, including the picture tube, which no other manufacturer in India currently offers."

In audio equipment, as Iwata points out, KSIL launched its products only in July 1998. And though it turns

out 1,000 VCRs and VCPs daily, these are almost entirely exported. The Indian VCR/VCP market is sluggish because of the spread of cable TV; but there is still a demand for 18 million pieces in the US, of which KSIL has a share of only 1.7 per cent. "And this demand is still growing every year," Iwata says. Divisional manager (materials) Sanjeev Pargaonkar, who looks after KSIL's imports and exports, adds: "We had an export turnover of Rs100 crore last year, and are targeting growth of 30–40 per cent this year."



After video and audio equipment, microwave ovens?

A fire in the CTV plant in April 1999 was particularly ill-timed, affecting production and depriving it of the boom in CTV sales just before the cricket World Cup. "Some 2,000–3,000 sets were destroyed, also some audio equipment," says Iwata. "Two vacuum lifters for CPTs (colour picture tubes) and CTVs were ruined, and new ones had to be made. But the most sophisticated equipment, like the automatic insertion machine, is safe." A rescue team from Japan got the plant running in under two weeks. But some repair work is still on; and KSIL has taken advantage of this to build an extension to increase CTV production by 20 per cent.

New products

CTVs, which are the company's priority area of business, are slated to touch 300,000 in sales by next year, in a market of 3,300 million which has 20-plus manufacturers in the fray. And in a two-year time frame, it aims at establishing Sharp as a major brand in the Indian audio market. Iwata also has other plans to realise his profit targets. Now KSIL aims at both extending its existing line and bringing in new products from the Sharp stable. The Japanese parent has a wide range of home appliances as well as office equipment like copiers and facsimile machines – being imported and sold by Larsen & Toubro's electronic office equipment section – besides cellular telephones, computers, RAM (random-access memory) chips, and other electronic devices.

Iwata isn't willing to divulge which products the company is looking at introducing in India, but hints at microwave ovens (in which Sharp boasts leadership position in the US and the UK), which are increasingly in demand in the metros thanks to the major lifestyle change in India. Over time the company also plans to bring in other white goods like refrigerators and washing machines.

Sharp's main strength, says Pargaonkar, is in liquid crystal displays (LCDs). "They once had a monopoly in the world market. Now Samsung is also in the field; but 80 per cent of the LCDs used all over the world are still manufactured by Sharp Corporation," he says. Sharp intends that all its TVs will use an LCD display instead of the conventional CPT by 2008, adds Iwata. LCDs are expensive, he admits. A 15-inch CTV with LCD, for instance, would cost Rs70,000–80,000 in India today. But LCDs will become affordable soon — everything is getting cheaper. When Iwata joined Sharp Corporation 30 years ago, he recalls, the company was making calculators, which he sold for overseas markets. "They were huge, as big as a carton, and used to cost half a million yen — about 1.2 lakh rupees. And they had limited functions, like addition, subtraction, multiplication, division, and maybe one or two more. Today you can buy the most sophisticated calculators for Rs200–300 at any shop!"

Things are changing very fast in electronics, Iwata points out. The digital video recorder may soon replace VCRs and VCPs; so these would need to be phased out in the near future. "You know the year of the dog?" he smiles. "One dog year is equal to five man years; so what took five years to develop earlier is now being developed in one year!" So by the time the DVD becomes the norm, something new might come. But Rs33,000-crore Sharp Corporation – and KSIL – plan to be right there when it happens.

› SEKHAR SESHAN

The write attitude

After the split from his father and sibling, Vikram Kothari is creating his own empire

He is hell-bent on writing a new script. Vikram Kothari, who broke away from the north-based Rs600-crore Kothari group of Pan Parag *pan masala* fame recently, is out to fight his own blood relations in the marketplace. Soon after he severed ties with his father and brother, he flagged off his own *pan masala*, Dum. *"Dekthe jao humara dum,"* puns Kothari who's no stranger to brand creation. Popular pen brand Rotomac is his handiwork.

The very fact that Kothari has chosen to take on Pan Parag, a brand which his father M.M. Kothari and he nurtured over the years, speaks volumes about the bitterness that must have transpired before the split. The two factions do not want to dwell on the issue. Kothari snaps: "You will see." However, according to an insider in the group: "They stabbed him (Vikram) in the back and he literally lost his balance."

The story doing the rounds is that Vikram did not agree with some of the business practices followed by the family. While he was away in Japan to seal a deal with a pen major Pentel, to float a medium price range pen venture together along with Flair Pens (under the banner Indo-Japan Pen Manufacturing Co Pvt Ltd), the key promoters of Kothari Products expanded the board and passed "some" resolutions. "By increasing the board representation in Vikram's absence, they diluted his powers," says the company insider.

Nevertheless, post-split, Vikram has sold off his 22.5 per cent holding in Kothari Products to his father M.M. Kothari for a consideration of about Rs35 crore. But indications are that the money changing hands would be more than the disclosed amount. The father's 30 per cent holding in Vikram's pet project, Rotomac Pens, (current year turnover Rs53 crore) has been acquired by him at a cost of Rs6 crore. "I am going to create my own empire," says Vikram.

The desire for revenge is a great motivator but can often cloud business judgment. But Vikram has proved himself as an astute strategist in the past even when he was under his dad's shadow. He was instrumental in promoting Rotomac Pens in mid-1993 and had justified the diversification then by saying that "with literacy levels on the rise, pens are a segment to be in. Also, there is an acute shortage of good quality but inexpensively priced pens." He first started off with low-priced pens (costing less than Rs15) and launched a major ad campaign (*sub kuch dikhta hai*), which even today is high on brand recall. This was followed with another small sortie along with Edding of Germany to roll out markers and highlighters.



Vikram is out to prove himself

This 50:50 joint venture brings in a turnover of about Rs6 crore.

Riding on Rotomac's popularity, Vikram ventured into the greeting cards segment. This 75:25 venture along with Flair Pens christened Rotomac Greetings & Gifts Pvt Ltd, was flagged off early this year. This too is proving to be a winner. With exclusive franchising arrangements with international biggies such as Carte Blanche, Paper House, Paperlinks and Jooles, the turnover is in the region of Rs12 crore. No small achievement considering that biggies like Archies, Hallmark and Vintage are also in the fray. Recently, the company introduced soft toys and gifts which Vickram feels in a natural fit with the cards business.

Not to miss out on the growing opportunity in the premium priced pen market, Rotomac has tied-up with Pentel of Japan to bring out pens in the Rs15-150 range. The Japanese company would be paid a royalty of 4 per cent of sales, according to a company official. "This segment of the market is big and we would be focusing on corporate clients who could give away the top-end products as gifts to customers or employees," says Vikram.

However, all these ventures would certainly not take Vikram past the Rs100-crore turnover mark. To cross that threshold, he'll need a mass product like *pan masala*, hence the recently floated Kothari Foods & Fragrances Pvt Ltd. The *pan masala* facility put up next to its Kanpur pen factory is expected to bring in Rs65-70 crore in turnover this year. "The capital investment for this kind of business is very small and we already had the land. Marketing constitutes a major cost," says Vikram when asked about the investments in this venture. Dum has already been soft-launched in Mumbai and is expected to move to other places soon backed by an all-India ad campaign. Says Vikram: "I'm confident of making this product a success because I was instrumental in making the leader (read Pan Parag) successful. I know the formula. You could say the cook is the same only the kitchen has changed." This man's got some *dum*.

ROY PINTO

Going global

Hyderabad-based Infotech Enterprises makes strategic acquisitions for a global presence



We want to be a global software corporation for the new millennium, says Reddy

B V.R. Mohan Reddy grins like a cat who has just emerged from a tub of cream. Not surprising, since every part of his gameplan has fallen in place in the last few months. His six-year-old IT company has made two acquisitions, one of them in the UK. As a run-up to a Nasdaq listing, he has roped in a top investment company — rumoured to be GE Capital — for a private placement. With acquisitions and organic growth, the turnover of Infotech Enterprises is all set to rise from Rs22 crore (financial year 1998-99) to Rs70 crore in 1999-2000.

Infotech Enterprises began operations in 1992 as a 100 per cent export oriented software company. It had two main lines of business: CADD (computer aided design and drafting) and GIS (Geographic Information Systems). The company's public issue of Rs4.65 crore in March 1997 made news. The financial institution, IDBI, in a vote of confidence, offered a safety net option, with monthly buyback rates for 15 months from the date of allotment for all investors who bought up to 300 shares. Today, the Rs10- Infotech share is listed at Rs598 (*see graph*). According to Vivek Bhargava, Magadarsi Financial Services: "There is sufficient room for price rise in the short and medium term, since P/E ratios are low compared to other healthy infotech stocks."

Says Mohan Reddy, "Five years back we were a 30-strong company with a turnover of Rs2.50 crore. This year we will be a Rs70-crore company with a manpower of 1,250. As we evolved, our mission has changed. Earlier on, we had positioned ourselves as a company integrating technology from the West with low-cost manpower to give software solutions. Now our mission is to be a global software corporation for the new millennium. And our entire strategy is to make this dream a reality."

Towards this objective, the company has zeroed in on three priorities for the short and medium term. These include improving productivity, quality and internal management systems; higher growth rates to reach international size; and global stock listing to become a global company.

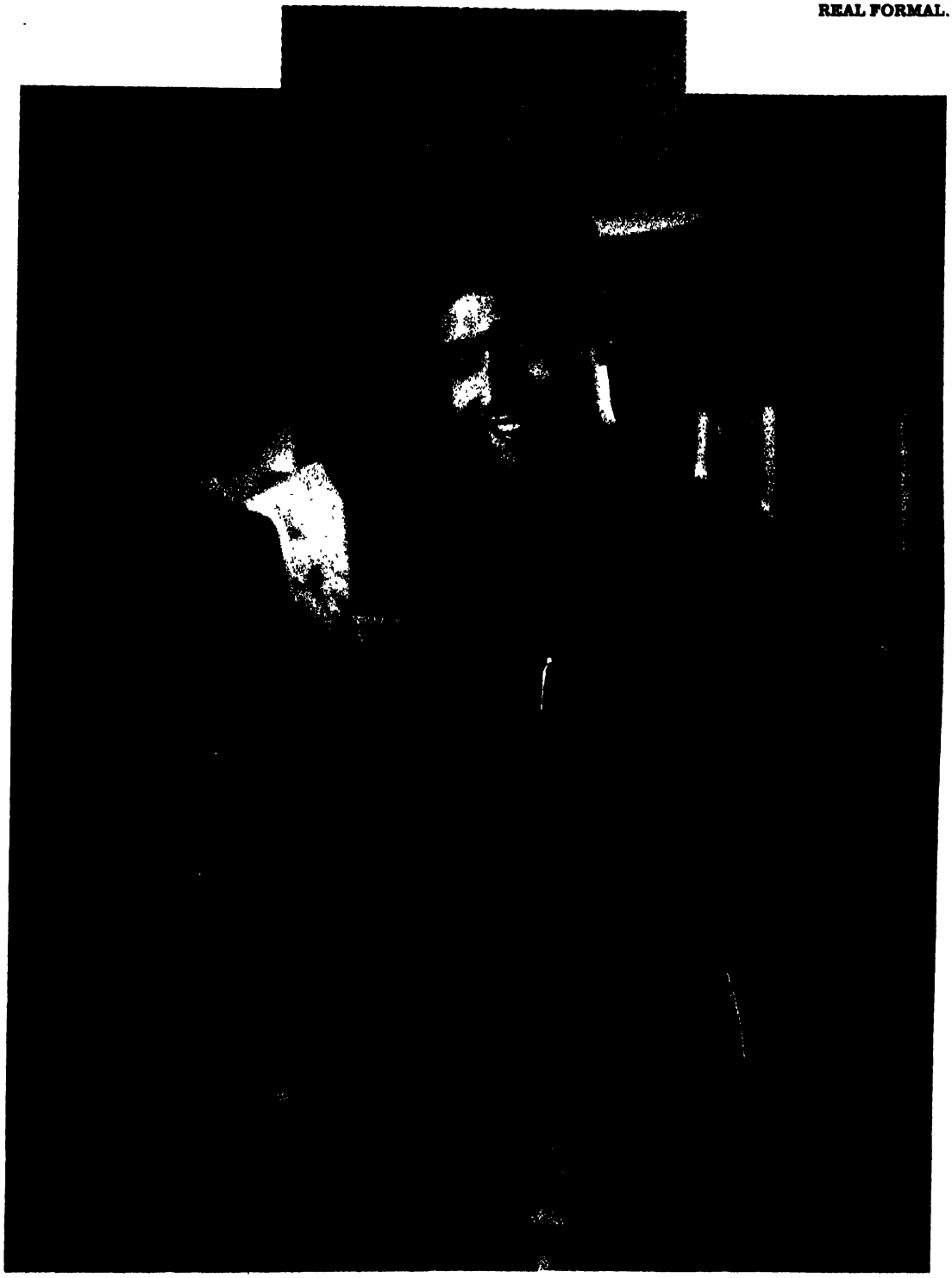
Infotech Enterprises has had a steady growth graph from sales of Rs1.21 crore in 1994-95 to Rs21.8 crore in 1998-99. Net profit had increased from Rs84 lakh to Rs6.47 crore in the same period. To achieve a quantum leap and grow to an international size of a Rs100-plus crore company, Mohan Reddy says they realised organic growth had to be supplemented with acquisitions. The company had kickstarted its business software operations in 1997 by acquiring a small Hyderabad-based company, SRG (Systems Research Group). The second wave of growth in this high value-added business came with the acquisition in July this year of the UK-based Dataview Solutions.

Dataview Solutions is a privately held European provider of GIS products. Its customer list is a 'Who's Who' of British industry — Hertz, Woolworth, Natwest Bank, British Telecom and Channel 5. Recently, Dataview began developing Internet applications involving GIS products for its worldwide customers. Geoffrey Kendall, Dataview's chairman says, "We think Infotech's strong management and technology team, as well as access to capital, should dramatically accelerate our growth." According to Mohan Krishna Reddy, the chief financial officer, Infotech, the deal has been structured in such a way that Infotech pays half the money of $1.8 million upfront. The other half is linked to the company performing, with their management and technical team kept intact, according to the company's specified projections. The acquisition provides Infotech with a prime beachhead into the growing European markets. Says B.V.R. Mohan Reddy, "This acquisition is a tremendous fit. We can now access the blue chip customers of Dataview with the wide range of Infotech products and skills."

In quick succession to the UK acquisition, in August this year, Infotech announced the takeover of Cartographic Sciences, a fully-owned subsidiary of the US-based ASI, a leading provider of data conversion services for the GIS industry. Infotech paid $1 million upfront and shares valued at $3.5 million which translated to 1 per cent of Infotech stock. Randal Sage, director, ASI, joins the Infotech board. Infotech's relationship with ASI began three years back when the company executed orders for the US company. Recently a contract was signed by which Infotech

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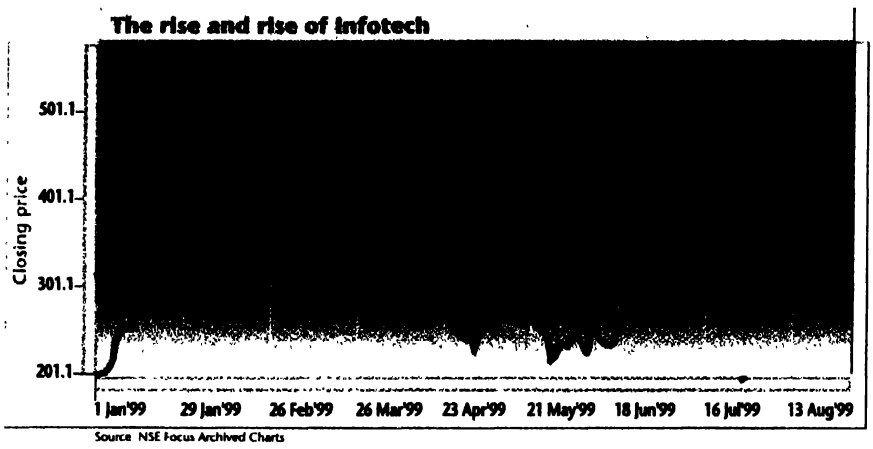
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is guaranteed orders of Rs142 crore ($33 million) over the next five years. Says Mohan Reddy, "This was a strategic investment. We worked hard to convince ASI that they did not require a separate Indian subsidiary." These two acquisitions should take Infotech's turnover from Rs21.8 crore last year to Rs70 crore in the forthcoming year and Rs120 crore by 2001.

Meanwhile, the company has also been working on reorienting its present lines of work to more value-added business. GIS constitutes almost 80 per cent of its turnover. GIS basically involves collecting information on-ground, inside and above the ground for better customer satisfaction and asset utilisation. Projects could vary from simple land information systems like calculating municipality taxes based on land and building size to emergency and utilities management. Some of the higher-end work would be using GIS to generate money for a company. Recently Infotech did a project on Transportation Telematics for the DM51 billion Mannesman Passo. This involved writing the software for in-car navigation and the inputs on real-time traffic density. Says Mohan Reddy, "This meant meshing our various skills like network technology, address geocoding, display technology. The result: Mannesman said there was a 20 per cent better asset utilisation." Other applications would be helping banks decide where to locate their next branch based on demography, geography, economic indicators and competitor analysis.

Globally, GIS is a $3.6-billion industry with the range of companies in the sector spanning from solution providing to offering professional and business services and GIS software. While GIS applications are vast and the volume of work large, the business volume is linked to the number of people employed. "Presently it's 1:0.5," says Mohan Reddy, "to increase value addition we have moved to customised solution providers, business GIS and software."

Infotech had pioneered CAD/CAM in the country. In this field, it is moving into products and engineering consultancy. Recently it implemented a pilot project for Ford Motors and obtained



repeat orders. CAD/CAM is a $1.8-billion industry. Competitors here are companies like Infosys and TCS. But the company officials feel they have an edge because of being the first ones in the business. In product development, Infotech sold 1,000 of MODES (Management of drawing and engineering systems) worldwide and is presently concentrating on its business software package, EWIS which is a simpler ERP package for the small and medium sector. This product is aimed at the domestic market.

Presently only 6 per cent of Infotech's turnover comes from domestic market, but Reddy says this component, though not profitable, cannot be ignored. "It fits into my strategy for training our software engineers," says Reddy. "I believe that a software engineer should work with a domestic product for two years, interacting with local customers, then on an offshore project for two years to be ready as a software professional."

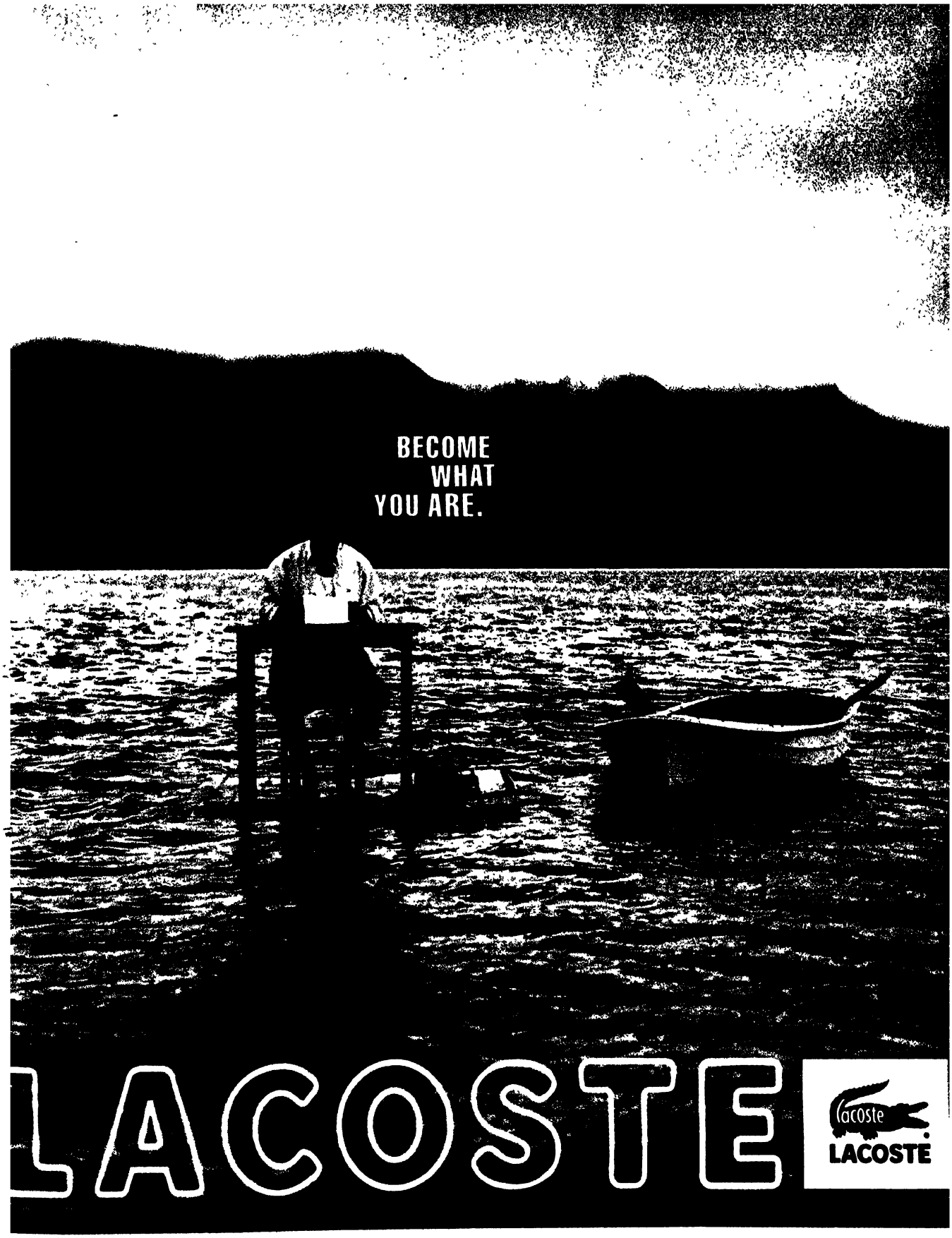
As the current price arbitrage or the ability to win international contracts by quoting low prices diminishes in the next millennium for the Indian software industry, companies will have to win contracts by having quality and productivity standards on par or better than what the international customers can obtain locally. Mohan Reddy points out that they were lucky in recognising this early in the life-cycle of the company. As a result, in 1994, the company implemented the total quality management programme (TQM) for its CAD/GIS systems and one year later obtained the ISO 9002 from BBQI. The business software division has recently been recommended for ISO 9001 certification. Besides, as the company grows, a second tier of senior managers have been recruited from various companies like Voltas, Mahindra, and ANZ Grindlays.

To move closer to the customer, Infotech has opened its office in Riverside, California for its non-GIS business. An acquisition in Australia is in advanced stage of discussion. Of its total business, 72 per cent comes from the US, 18 per cent from Europe, 4 per cent from Australia and 6 per cent domestic. The result of moving closer to the centre of gravity of business or the customer by having a presence in the US, Europe and possibly Australia, should be felt in the forthcoming years. By 2001, Infotech should, according to company sources, be a Rs120 crore or $40 million company and ready for a Nasdaq listing."

As a run-up to this, the company officials plan a private placement with one of the world's largest investment firm to facilitate their future round of funding. Indeed, a Nasdaq listing is the goal of every Indian IT company today following the Infosys success. But says R. Ravi, investment analyst at LKP shares & securities, Mumbai: "Infotech Enterprises will have to considerably improve on the disclosures it makes in its balance sheet which are not at the same level as other IT companies."

Says Mohan Reddy, "Till now, our strategy has worked with clockwork precision. The conditions seem right for Infotech to emerge as a global software corporation."

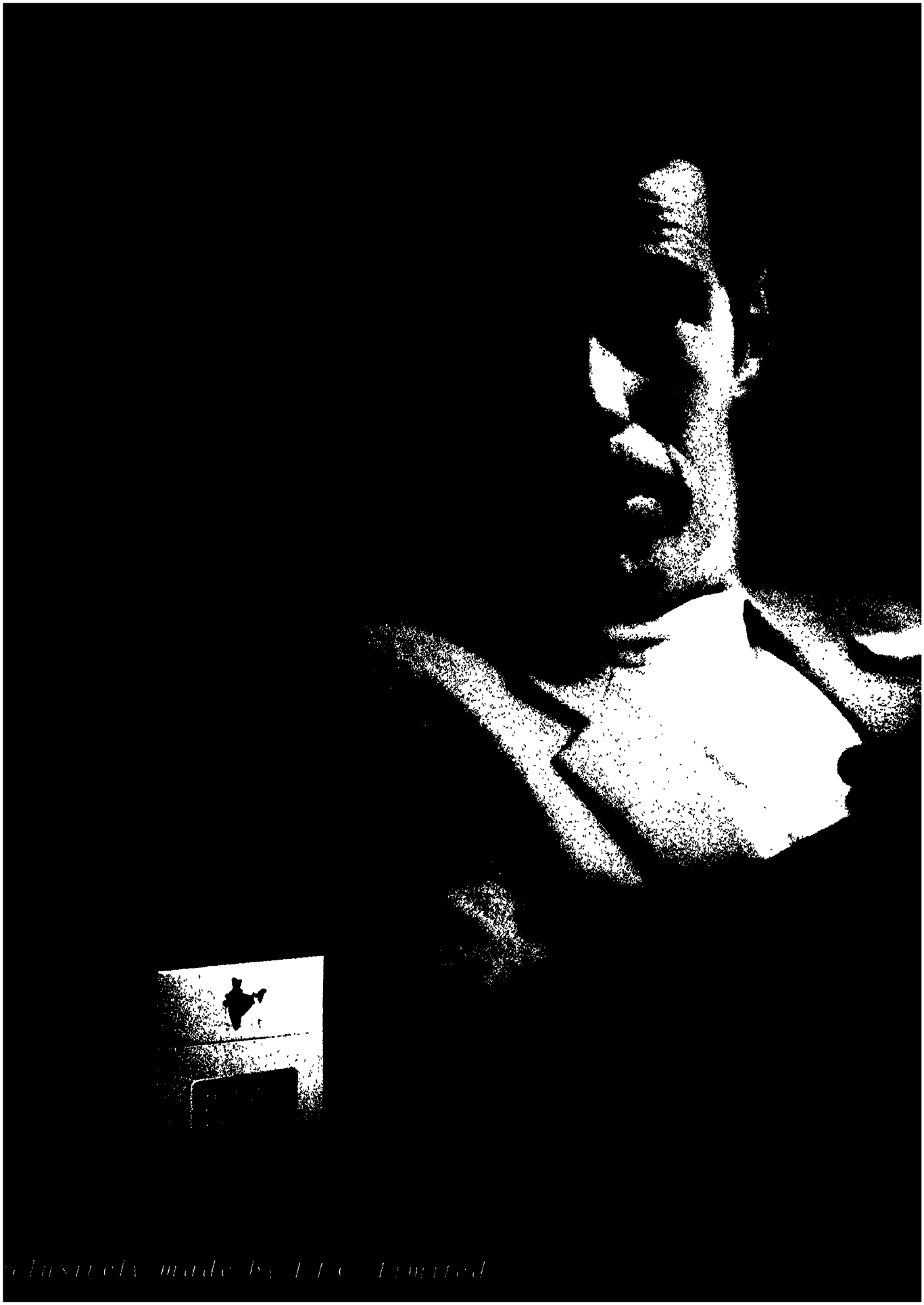
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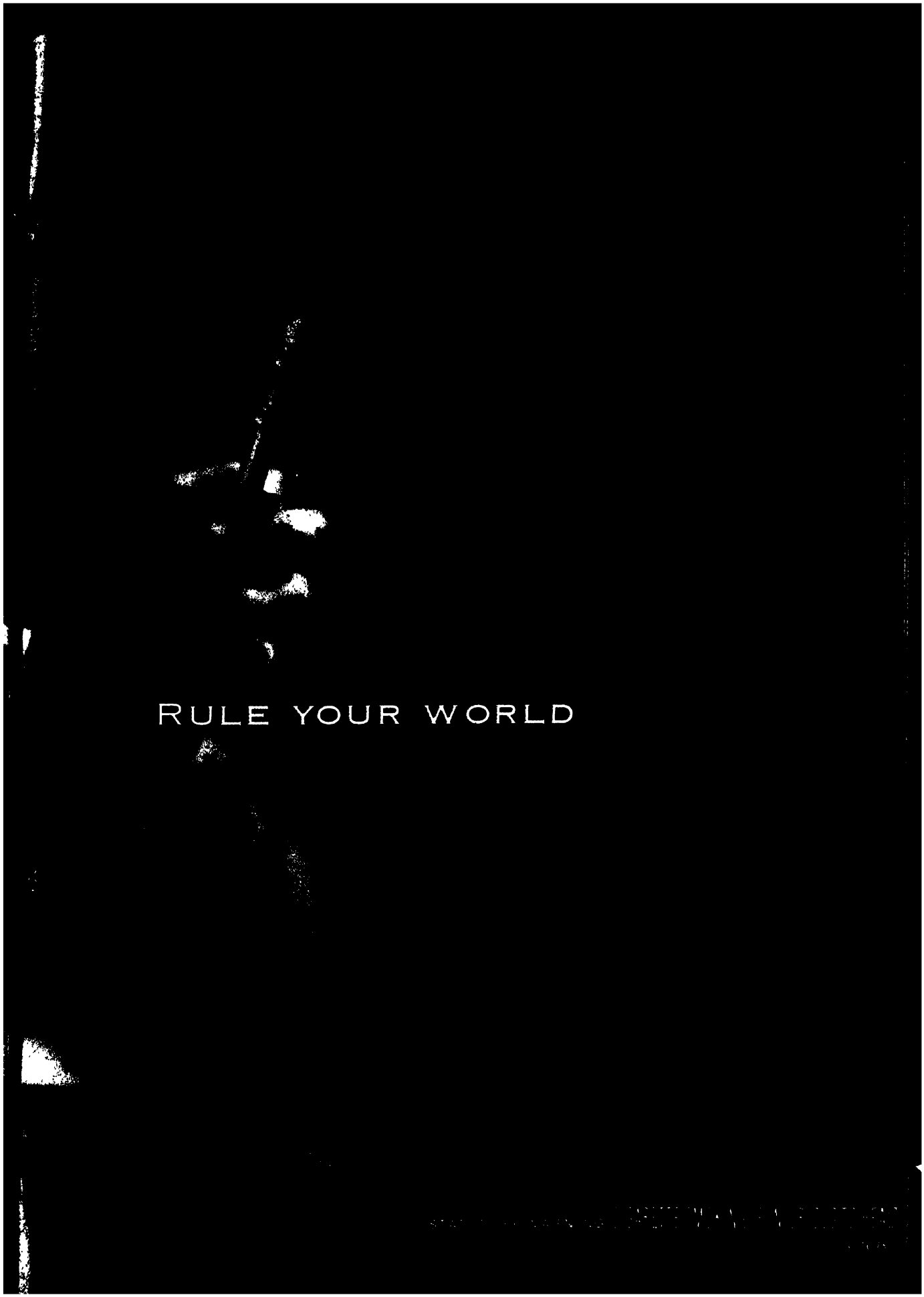


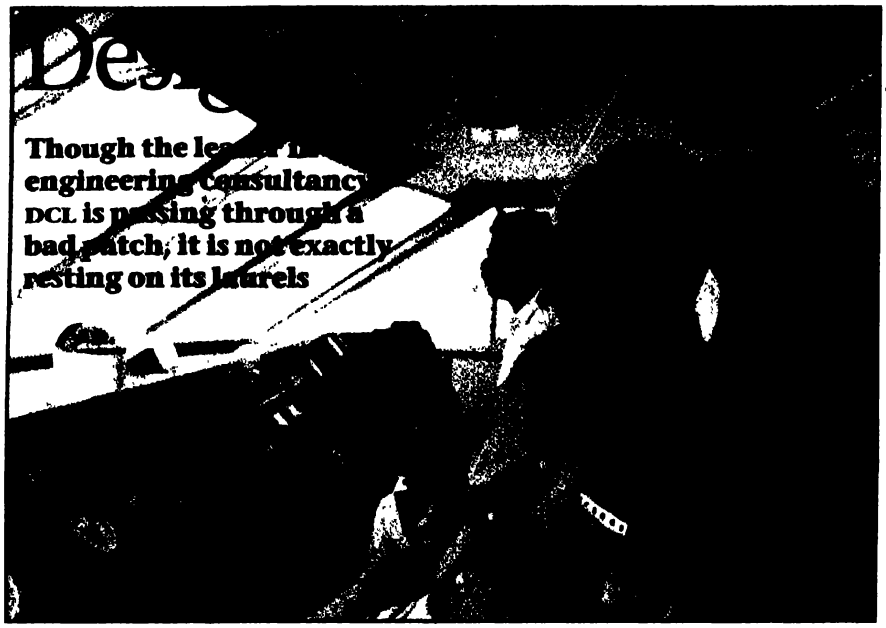
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PHOTOS: AJAL BOSE

In designing power plants, Dutt leaves his stamp of excellence

Meet Sadhan C. Dutt, India's master designer of power plants and watch him wince. Though Dutt has been media-shy, his company, Development Consultants Limited (DCL), continues to be the leader in engineering consultancy for almost half a century. Starting from DVC's Bokaro thermal power plant completed in 1953 and moving on to NTPC's Singrauli super thermal station in the early 1980s, then to the naphtha cracker of the Haldia Petrochemical Ltd (in association with the Toyo Corp of Japan) and West Bengal's latest controversial Bakreshwar power plant, Dutta's stamp of excellence in designing them, is evident. His sphere of operation has been as diverse as power, paper, cement, steel, mining and chemicals. Established in 1951, Dutt and his company has executed over 1,400 projects in India and abroad.

However, in the recent past, Dutt and DCL have kept a low profile. Dutt attributes this to the prevailing lull in the power sector and the general slack in industrial investments, especially in the power sector. Says he, "This is the time when India's power sector, till date dominated by the state and Central governments, is graduating to the IPP (independent power producer) concept. And till the transformation is complete, there will be some problems."

In a few power plants including the Ib valley project in Orissa, the Aditya Birla group-promoted Bina power plant in Madhya Pradesh, the Hindujas's 1,040 MW power plant at Visakhapatnam (in association with Korea's Hyundai), and Neyveli Lignite's 500 MW unit (in association with Italy's Ansaldo) it has either already bagged the order or expects to do so soon. Yet senior DCL executives do not deny that in recent years DCL has faced a 25 per cent fall in the power consultancy business. Besides, there has been hardly any improvement in the recovery of the outstanding consultancy fees from the parties whose work has been completed. These include the expansion of CESC's 500 MW Budge Budge plant and the first phase of West Bengal Power Development Corporation's 1,050 MW Bakreshwar power plant. For the first time, DCL is known to be facing a tight cash position.

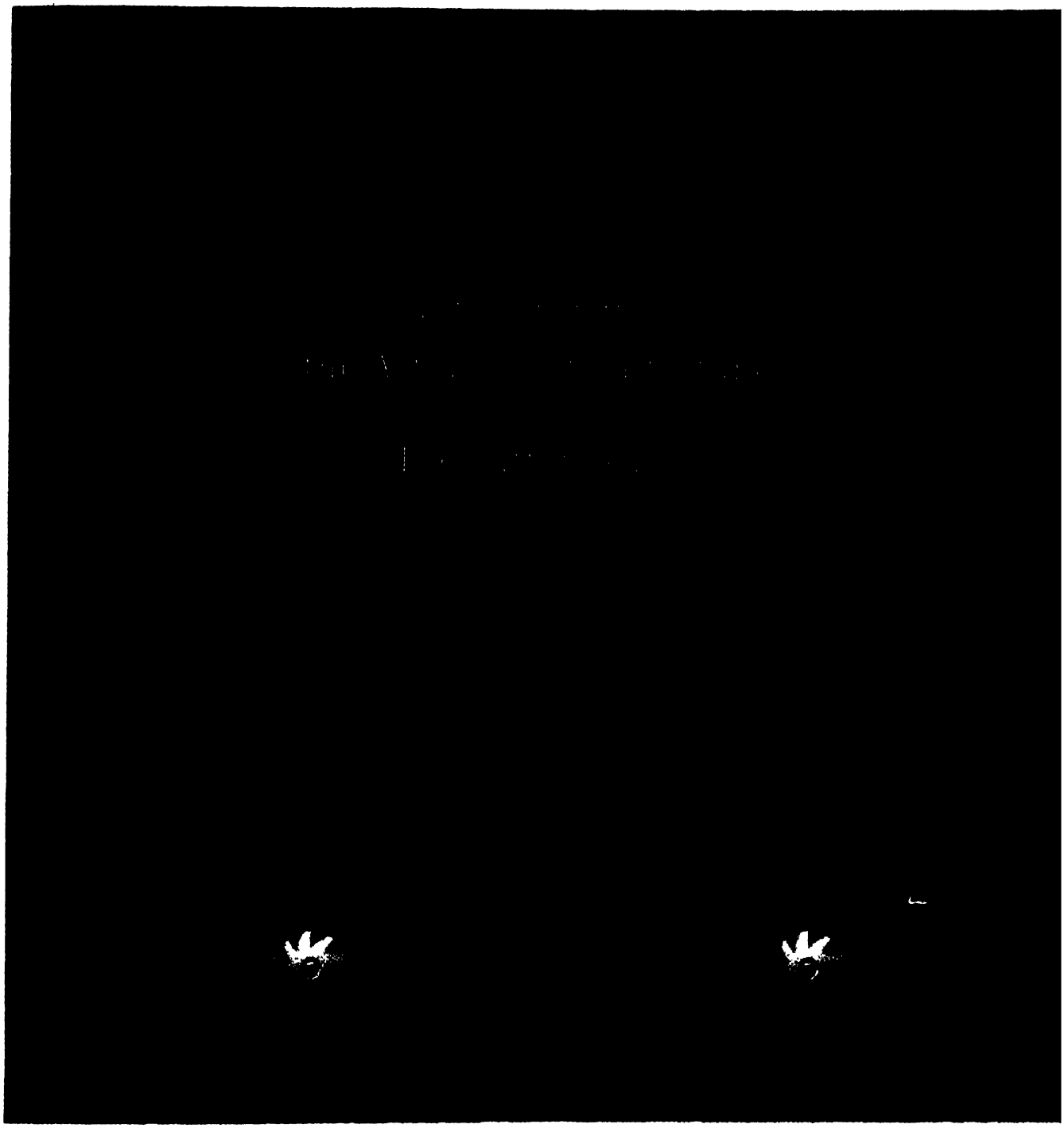
The thermal power station at Bakreshwar in West Bengal's Birbhum district was first conceptualised in the mid-1980s. DCL, its American partner Kuljian Corporation, and a Japanese associate called C Itoh were shortlisted to construct the plant on a build-own-transfer basis. The other contender was Birla Technical Services (BTS) along with the Russian Technopromexport. Eventually none was selected since the West Bengal Power Development Corporation (WBPDCL) stepped into the picture. DCL later tied up with its promoter to form Bakreshwar Power Generation Corporation, a joint venture between the state government and Dutt, which is slated to develop the second 210 MW x 2 phase of the Bakreshwar plant. The promoters are looking for two more overseas partners. To facilitate this, the deadline has been extended to 31 December 1999.

Dutt is tight-lipped on the issue, only choosing to reveal that two parties have been identified. "The hitch at the moment is that no overseas bank is agreeable to stand guarantor for any loan to Bakreshwar because of the West Bengal government's past history of often defaulting in debt servicing to the World Bank," he says.

Till the early 1990s, Dutt's company was known as Development Consultants Private Limited. As per law, it had to shed its 'private company' label; DCL, however, remains a closely-held company with predominant family holding. A small portion of its equity is also held by employees.

The much-diversified DCL group's annual turnover is over Rs200 crore. And though engineering consultancy still remains its mainstay, the group's one manufacturing unit called DC Industrial Plant Services (DCIPS) too has emerged as a moneyspinner. The unit operating since 1985 in technical collaboration with United Conveyor Corporation (UCC) of the US, has been executing turnkey contracts for ash handling systems at power plants. Senior executives in the DCL-Kuljien group of companies confirm that DCL and DCIPS together account for nearly 75 per cent of the group's total income.

Right from its early years, DCL has been a major earner of foreign exchange from its overseas assignments. In many of the Islamic and African countries like Libya, Syria, Iran and Tanzania — some of the nations that threw out American consultants — DCL found opportunity. Presently, DCL's major overseas assignments include designing a big chemical and oxygen plant in Indonesia and an environment engineering plant in Bangladesh. These are besides the ongoing sea water desalination project in Saudi Arabia.



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The flight of German engineering

DCL diversifications include: architectural designing, interior decoration, housing development, water transportation, healthcare and education. Dutt's daughter, Shanta Ghosh, who is expected to succeed him, is known to be taking more interest in some of these new lines than in engineering consultancy. The number of engineers on DCL rolls has now come down to around 1,000 from 1,500 in the mid-1980s.



The Sri Aurobindo Seva Kendra is a tribute to Dutt's philanthropic leanings

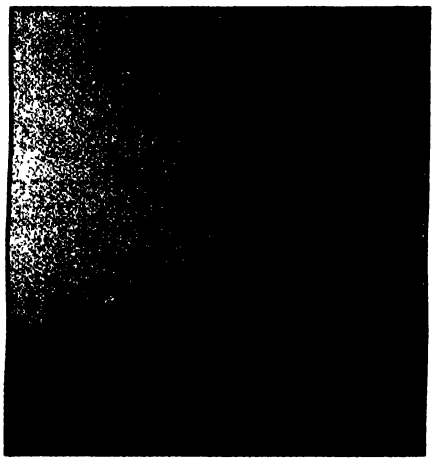
Another diversification is computer software. Earlier a DCL division, Dutt's software business was spun off last year to form Datacore India. Datacore has developed major products addressing the core processing needs of financial institutions — customer management facility (CMF), integrated deposit system (IDS) and integrated banking system (BANKWIDE). A library information system being marketed by Datacore presently is called Bibliosys. Datacore's banking software has been used by quite a few foreign banks like the First National Bank of Toledo, Chemical Bank, Midatlantic Bank and the Barnett Bank. In India, the Indian Overseas Bank will also be adopting the software shortly.

Data Services, a division of Datacore, too has grown significantly. Dutt plans to expand operations further by recruiting 100 more data operators in the next few months. It is getting very good overseas business from all over Europe and America. It does data imaging and data entry for processing. The annual billing reportedly exceeds $3 million. Dutt's overseas contacts and his penchant for on-time delivery have been behind its success. Major assignments for this division are again various foreign banks as also the Euro rail and plenty of Y2K related work in the US.

The company's headquarters on Park Street has an entire floor for architectural engineering, which is looked after mainly by Shanta. Called Development Architects, the division has a long list of completed projects in urban and regional planning, interior designing of housing projects, educational, health and community facilities and so on.

Conforming to the National Council for Science Museums' accepted norms of selecting contractors for its new museums through open competition, Development Architects was selected a few years ago to execute the micro-electronic project at Calcutta's Science City which it successfully carried out.

Shanta Ghosh, who was not available for an interview, likes to view architecture as a responsive art that must cater to the needs of the clients, as her colleagues put it. Right know, the biggest assignment on her hand is her father's grandiose plan for the Rs400-crore World Trade Centre project. Currently it is bogged down in some public interest litigation cases. NGOs in the city fought against the move complaining that it was poaching into the city's wetlands. The Calcutta High Court has now cleared the project, but it has been reduced to less than half its original size. This could create problems because Dutt has taken a franchise from the New York-based World Trade Centre for building up one such centre in Calcutta. To honour this agreement, he has started constructing such a centre, though smaller, at a different site. A World Trade Centre building, designed by his daughter, is coming up inside the Salt Lake Electronic Complex.



Engineering consultancy remains DCL's mainstay

In healthcare, DCL has built the Sri Aurobindo Seva Kendra, which was renamed in 1990 after its expansion, upgrading and shifting to an ultra modern complex, at a cost of Rs10 crore. Run on a no-profit basis, the hospital now has an annual income of Rs8 crore.

Sadhan Dutt started out as early as in 1951 when he set up his own company first for handling the Indian operations of Kuljian Corporation of the US. Subsequently a reverse development took place with the US firm being taken over by Dutt. And since then it has been a long story. But Dutt, now 78, is definitely thinking of succession and his only daughter Shanta Ghosh is dubbed to take over from him at the right moment. An architect by profession, she has worked in the US for 15 years and since 1990, as vice-chairman in the DCL-Kuljien group, has been looking after the company's various business interests. What will ensure a smooth transition is the group's professional management. As of now, the company's board has 12 members, all full time employees of DCL.

• KAVERI MITTRA

Let the rupee be

The market wants RBI to loosen its grip over the rupee

Last fortnight, the stockmarkets staged a rally on the prospects of stability and reforms, coupled with Moody's outlook upgrade from uncertain to stable political prospects. But the same euphoria was lacking in the forex markets.The rupee showed signs of strengthening against the US dollar on 11 October, when it opened at Rs43.36 against the greenback against the previous closing of Rs43.40 on 8 October. It even touched an intra-day high of Rs43.29 by noon. But the rally was short-lived. By closing time that day, the rupee was down to Rs43.38. Next day, it was traded lower at Rs43.43 levels. It dipped lower to Rs43.53 on 13 October on news of the coup in Pakistan the previous evening. But sanity prevailed and the rupee recovered to Rs43.43 levels by closing.

The question then arises: Is the rupee fundamentally weak or is it in the grip of the bears? Ask any banker and he will swear, off the record, that the rupee value is driven by the RBI and not by market forces. For instance, on 11 October, when the rupee was appreciating to Rs43.29, the State Bank of India bought heavily and, with supply drying up, the dollar premium increased. "The buying-selling pattern clearly shows when SBI or a few PSU banks buy dollars at RBI's behest or for their merchant transactions. On that day, SBI clearly bought under RBI directives to stem the rupee appreciation," says a treasury head with a foreign bank. The RBI has kept the rupee on a tight leash, adds another foreign banker adds.

And this does not seem like another wild allegation by a section of the market players. Let us examine a few events in the recent past. The rupee showed signs of weakness after the Kargil episode. It dipped from Rs42.72 on 26 May to Rs43.40 by 9 July, thereafter hovering in the Rs43.20-43.44-band till 20 August. When it threatened to slide below Rs43.50 by end-August, RBI governor Bimal Jalan issued a statement that the RBI would meet fully the forex requirements of Indian Oil Corporation (the biggest buyer of dollars in the Indian markets) towards import of oil and government debt service payments, if necessary. The statement was clearly made with an eye on the elections and it did cool the markets which were showing signs of election-fever. The rupee remained in the Rs43.44-43.50-band for most of September, but the exit polls cast its shadow on the rupee, which again nose-dived to Rs43.60 by 6 October.



Thereafter, it began its rise on poll news and the Moody's upgrading India. However, say bank dealers, the RBI does not seem to want a strong rupee, probably because it might upset the North Block, where the thinking is that a strong rupee would render Indian exports uncompetitive. So, the RBI intervened again through SBI, pushing the rupee down to Rs43.44, which it feels is the appropriate level, they add.

But how does the RBI maintain the rupee at Rs43.44 levels? By keeping the liquidity in the banking system tight. The RBI has been timing the government's borrowing programme together with all inflows in the banking system on account of redemption and coupon payments of earlier government stock in such a way that it can suck out the funds as soon as the banks get them. The resulting tightness pushes up the overnight call money rates to double digits – for the past two months it has been hovering in the region of 10-13 per cent. But the RBI's re-finance mechanism under the liquidity adjustment fund and additional liquidity adjustment fund window introduced in the April credit policy ensure that call-rates do not go haywire either. In other words, cost of funds has been kept high to stem arbitrage between call-money, gilts and forex markets.

So what's wrong with that? "Kudos to Jalan for stemming the volatility in the forex markets. But it is also a fact that RBI is not allowing full appreciation of the rupee. It is more like a managed or structured float and not allowing market forces to test the true levels of the rupee," says a treasury head of a European bank. The RBI seems besotted with maintaining the spot rupee at the current levels, he adds. The six-month forward premia (interest rates for buying-selling dollars at a future date) has moved in the 5-6 per cent band, which suggests that there is no panic among corporates.

Although Indian exports have not being doing too well over the past couple of years, rupee depreciation is certainly not the solution to the problem. The North and South Block officials should heed the advice of M.S. Verma, former SBI chairman and currently advisor to RBI. Speaking at a seminar earlier this month, Verma said that the currency depreciation approach to boost exports seldom proves beneficial to any country. "The rupee has depreciated enough and there is no need for further adjustments. Market forces should be allowed to determine the value of the rupee," he said.

At the turn of the millennium, as we talk of introducing derivatives, we have to realise that it is not possible until we allow the market to take its course.

Up or down?

A combination of low interest rates and tight liquidity has got bankers worried

As 29 October approaches, bankers are growing increasingly anxious about the credit and monetary policy review to be announced on that date, and are busy trying to project interest rate movements in the coming months. They certainly have reason to worry. The Reserve Bank's low interest rate signal following Budget '99 has led rates steadily downwards, but more disturbing is the fact that the growth in deposits too has slowed in the last six months. Banks raised Rs26,692 crore in April–August 1999 as against Rs30,139 crore during the same period a year back (September deposits have been left out because the inflow of Rs18,000 crore worth of the State Bank's RIB proceeds in September 1998 would make the shortfall this year higher by that amount and queer the comparison). The banks are already feeling the pinch of tight liquidity. Overnight call rates have been hovering at double digits over the past three months — in the region of 10–12 per cent, at times shooting to levels of 18–20 per cent, compared to less than 8 per cent at the beginning of the current fiscal.

But the woes don't end here. The government has been the biggest borrower in the markets this year. Between April and 12 October the Centre raised Rs68,130 crore, a good 80 per cent of its gross borrowing progamme of Rs84,014 crore. Not just that — RBI timed the borrowings to suck out inflows on account of redemption and coupon inflows on account of previous papers. Double-digit call money rates are pointers to RBI's (for the Centre) merchant banking operations. On the other hand the booming stockmarkets saw renewed interest in the mutual fund sector, which too mopped up between Rs7,500 crore and Rs8,000 crore in April–September 1999 as against Rs2,500 crore in the same period last year. To top that, the government's borrowing programme is widely expected to go up by another Rs10,000–18,000 crore on account of the Kargil conflict and the deficit in the oil pool account. Further, the undertone in the stockmarkets is bullish, which means that mutual funds will continue to attract funds. Though funds mopped up by mutual funds would remain in the banking system but a booming and active stockmarket means that these funds move from one bank to another at short notices. Effectively it is not available to banks for their lending purposes.

Despite a slowdown in aggregate deposits (Rs. Crore)

Year	April- August	September-March	Full year	RBI projection
1997-98	24,859	72,893	97,752	80,000
1998-99	30,139	85,784	1,15,923	93,000
1999-2000	26,692	80,000*	1,06,692*	1,18,500

Source: J P Morgan, *estimates

. and a rise in credit-off-take (Rs. Crore)

Period	Food credit	Non-food credit*
Apr 97-Aug 97	1,741	3,643
Apr 98-Aug 98	4,481	2,458
Apr 99-Aug 99	5,243	6,801
Sep 97-Mar 98	3,147	50,139
Sep 98-Mar 99	-150	51,282

Source: J P Morgan, (*includes bank's investments in CPs, bonds & debentures)

Given this background, the banks' non-food or commercial credit moved up by Rs5,841 crore to Rs357,862 crore till 24 September, while their investments in commercial paper, bonds, and debentures (another avenue of bank funding for corporates) increased by Rs53,558 crore. And with the economy showing signs of recovery, the demand for funds from the commercial sector is only set to increase in the second half of the year. Will the resulting mismatch of demand and supply increase the rates in the coming days? Yes, says an analyst with Crisil. "Interest rates are likely to go up in the medium term because of the mismatch of supply and demand." His explanation is that the government's borrowing will overshoot the target by Rs18,000 crore on account of lower PSU divestment, lower tax revenues, and the expenditure on Kargil and the elections. Besides, incremental corporate demand for bank funds is expected to be Rs70,000 crore this year compared to Rs57,000 crore the last year.

The supply of funds is expected to be lower than the targeted levels on account of a slowdown in both bank deposit and external growth, he adds. The net inflow of funds through FII, FDI, and ECBs is expected to remain at Rs27,000 crore despite an increase in FII inflows because ECB mobilisation was far lower this year. Bank deposits will continue to grow slower because of increased investments in real estate and gold.

S.K. Sharma, executive vice-president (corporate banking) with Times-Bank, concurs with this view. "Margins have remained under severe pressure because of forced lowering of the PLR over the past year. In a falling interest rate scenario, assets get re-priced immediately while deposits have a time lag. What has happened is that the earlier high-cost time deposits have remained with the banks and the low-cost ones have moved to the mutual funds." This phenomenon will only continue in the coming months, forcing banks to scramble for funds, which will push up the rates, he adds.

Interestingly, there is a section of bankers and analysts who disagree; they think the interest rates are poised to move south. Says M.R. Madhavan,

assistant vice-president of I-Sec: "Fiscal slippages will force the government to seek an additional Rs18,000–20,000 crore. And there's an outflow of Rs23,884 crore on account of the remaining borrowing programme, to be completed over the next six months. But there is also an inflow of Rs36,148 crore on account of redemption and coupon payments on government papers which accounts for a net surplus of Rs12,500 crore in the banking system (*see table*)." This means there could be a net deficit of around Rs5,000–8,000 crore, which can be easily managed if the RBI does a private placement deal with the Centre, he adds.

...interest rates poised to head south

Tenure	RBI's YTM for valuation of Central govt. secu' (%)	Secondary market yields as on October 12, 1999 (%)
0	7.65	—
1	10.07	10.60
2	11.00	10.67
3	11.17	10.71
4	11.32	10.81
5	11.50	10.94
6	11.63	11.04
7	11.74	11.16
8	11.84	11.33
9	11.94	11.43
10	12.05	11.54

Source: I-Sec

Madhavan's argument is based on RBI's market operations seen in the last six months. Between April and September the Reserve Bank raised Rs63,130 crore for the government, Rs25,192 crore by private placement. The securities were subsequently sold on open market operations (OMO). Till 30 September RBI had sold Rs25,562 crore worth of paper through the OMO route. "What this effectively means," says Madhavan, "is that the banking system does not feel the brunt of the huge borrowings. It has a sobering effect on the yields as well (*see table*)." Consequently, the yields on government paper, which is regarded as a barometer of interest rate movement, as it is the most widely traded paper, have moved south in the past six months and looks like they will slide further in the coming days, he concludes.

For now we have two sets of arguments on the interest rate movement in the coming days. But the real driver will be none other than RBI governor Bimal Jalan. Most bankers and analysts are of the view that he may leave the bank rate (currently at 8 per cent) and the repos rate (6 per cent) untouched. Ashish Pitale, an analyst with JP Morgan, explains why. "It will be difficult for RBI to reduce the bank rate because it serves primarily as a refinance rate for banks and primarily dealers. The current year has seen a large part of available refinance being drawn down for funding government issues, which offer about 3 per cent higher returns over the bank rate. In effect, RBI has been financing market purchases of government paper and running a 'negative spread' of 3 per cent. This kind of monetisation stokes inflationary pressures and lowering the bank rate will only worsen the situation."

B.S. Murthy, general manager (treasury and investment banking) Syndicate Bank, says: "But in all probability RBI might bring down the CRR by 50 bps to 1 per cent in a staggered manner either in the monetary policy review or after the policy announcement." A 1 per cent CRR cut could inject Rs7,400 crore into the banking system. But the question here is whether at all Jalan will opt for a CRR cut. Pitale says there are sufficient indicators that he will. He points to Jalan's April announcement that he would take an accommodative policy stance so that industry was not starved of funds. In Jalan's words, "...in view of the paramount need to raise industrial growth, the current stance of monetary policy will continue to be in the direction of facilitating adequate availability of liquidity..."

If lowering the CRR increases liquidity, will it be inflationary? And what about the impact on the exchange rates? "Inflation does have some bearings on interest rates. Right now the WPI is around 2 per cent. The 40 per cent hike in diesel prices announced last fortnight would mean a direct impact of 80 bps and another 1 per cent increase because of the indirect cascading effect. Which means inflation can go up to 4–4.5 per cent, which is a politically comfortable level and no cause for concern," says Madhavan. Besides, other monetary measures can curtail this expansion, he adds.

On the exchange rate, there does not appear to be a problem. Says A. Anchan, vice-president (treasury) Global Trust Bank, "While CRR is increased to stem volatility in the currency market the same logic is not applicable the other way." Besides, the RBI has enough forex assets (over $30 billion as on 1 October) and the FII inflows during the current year (except August and September) have been good. Which means Jalan has enough arsenal for curtailing exchange rate volatility, Anchan adds.

Be that as it may, bankers are continuing to debate which way the interest rates will move in the coming days, and Jalan and his team are busy confabulating about the mid-term policy review. It's not a long wait before the suspense ends.

• ROHIT RAO

...because of RBI's balancing act

Projected outflows (next 6 months)	(Rs. Crore)	Projected inflows (next 6 months)	(Rs. Crore)
Balance borrowings (Centre)	20,884	Redemptions (dated securities):	5,000
Balance borrowings (state)	3,000	Redemptions (364 day T-bills):	7,500
		Coupons receivable (dated securities):	17,992
		Coupons receivable (st. govt. papers):	5,656
Total outflows	**23,884**	**Total inflows**	**36,148**

*Source: I-Sec

Restructure or perish

The report of the M.S. Verma Committee has sounded a warning for public sector banks. Managements and employees of these banks have vociferously opposed this



GOUTAM CHATTERJEE

In the same boat: Singh and Choudhuri believe their revival plans are good enough

A day after the general elections were completed came what could turn out to be a bombshell for the Indian banking sector: the long-awaited M.S. Verma Committee report on weak banks was made public. While the report dwelt in detail on three banks — Indian Bank, UCO Bank, and United Bank of India (UBI), the last two headquartered in Calcutta, it also sounded a clear warning for the entire public sector banking industry as a whole. It listed six other banks as teetering on the brink of sickness and put 16 others, including the State Bank of India, which Verma himself headed till recently, on a warning list for failing to meet some efficiency criterion or other. For the banking sector, that clearly wasn't good news.

With private and foreign banks breathing down their necks, the last thing the public sector banks needed was plain-speaking Verma telling them to pull up their socks or else get their balance sheets further spattered with red ink. Specifically, the report contained some key prescriptions for the turnaround of the country's three weakest banks. While Indian Bank continued to clock operating losses 1998–99, UCO managed a marginal increase in operating profits, while UBI's operating profits actually decreased marginally.

In fact, the Verma Committee observed that UCO and UBI were substantially aided by the interest on recapitalisation bonds. Had it not been for this interest component, UCO would have incurred operating losses totalling Rs91 crore in 1997–98 and Rs157 crore in 1998–99, and UBI Rs89 crore and Rs117 crore. Besides, Verma made it clear that these banks' much-hyped revival plans had clearly proved inadequate. "...the restructuring plans drawn up by the banks do not meet the objectives. It is felt that, as long as government assurance as to continued capital infusion is there, the banks would only look at soft options regardless of the time and cost involved," the report says.

The prescription is clear: these banks, for long flabby and a clear drag on the government, would have to shape up or ship out. However, it also included a Rs5,500-crore rehabilitation and recast package for all three provided they meet tough conditions on wages, staff reduction, and reduction of non-performing assets (NPAs). The banks are directed to shed 25 per cent of their staff strength through a voluntary retirement scheme (VRS), failing which they will have to cut wages, a proposal which is virtually unspeakable in this highly unionised sector. The panel also pitched for a five-year wage freeze, including one on current negotiations. Indian Bank and UCO, which have foreign branches, were urged to sell their overseas branches to other banks, including those in the public sector.

In another important proposal, the panel said an umbrella asset reconstruction fund would need to be set up and managed by an asset management company, which would take over their NPAs, totally worth Rs3,000 crore. In order to incentivise their managements the panel also recommended the appointment of chief executives akin to "wartime generals". These CEOs would need to be adequately compensated for their performance, with a plum posting at the helm of one of the country's best banks or institutions as a reward for positive results.

Heading Verma's list of the six potentially weak banks is Allahabad Bank, another Calcutta-based bank till recently in the red, Central Bank, Indian Overseas Bank, Punjab and Sind Bank, Union Bank of India, and Vijaya Bank. Predictably, the report has drawn howls of protest from the banks' employees, who view it as yet another attempt by the establishment to muzzle their views and block their rights. In fact, though their views publicly don't reflect it, even the top brass of UBI and UCO aren't too pleased with the fact they have all been tarred with the same brush and that their painstakingly-drawn-up revival plans have been relegated to the dustbin.

UBI chairman Biswajit Choudhuri says: "While we welcome the report in general, it is much the same thing we have been saying all along. Besides, a

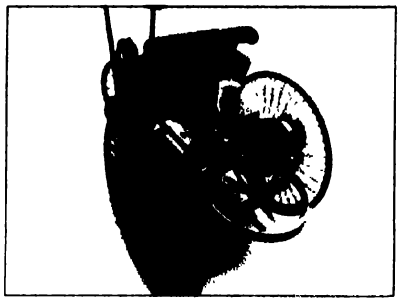


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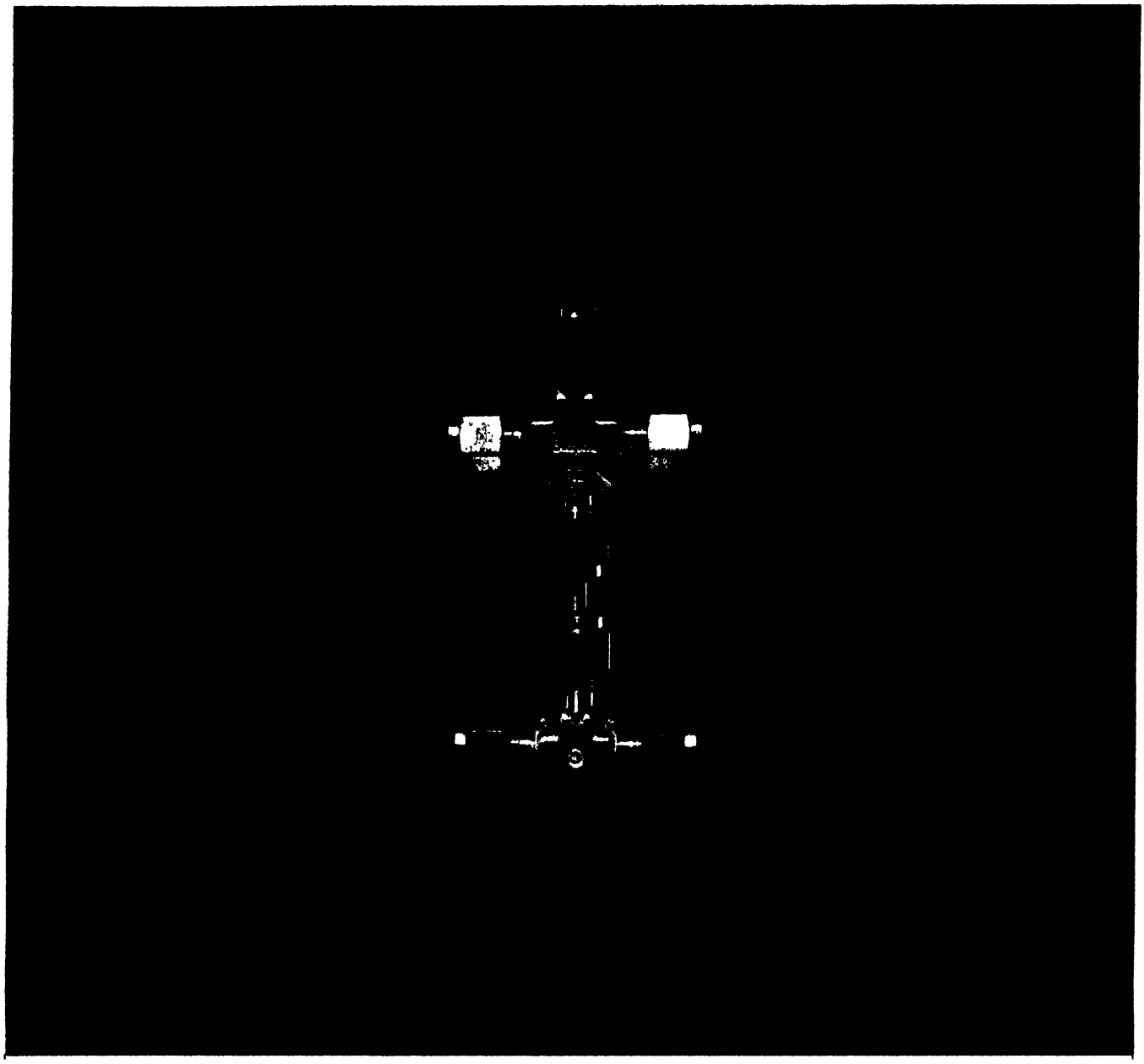
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bank like UBI also has many strengths which need to be taken into account." He finds an echo in Sharda Singh: "In UCO's case, its foreign branches are a clear source of strength. Selling our foreign branches may not be a good idea at all." But perhaps the most bitter criticism of the report and its recommendations comes from the bank trade unions. Both the employees' and officers' unions are united in their condemnation.

Tarakeshwar Chakraborti, general secretary of the All-India Bank Employees Association (AIBEA), which controls over five lakh bank employees, says: "A VRS proposal is clearly out. We will certainly not tolerate the fact that the employees are being blamed for the ills, which essentially are the result of bad management. Why don't they target corporate defaulters and change the laws to facilitate quicker recovery, something even the bank managements have been asking for? If Rs1,100 crore or thereabouts is the figure for a VRS, why is that amount not being recommended for recapitalising the banks?" The very next day after the report was made public, a huge gathering of bankmen assembled at the business hub of Calcutta to protest.

Shanti Ranjan Sengupta, boss of the All-India Bank Officers' Confederation (AIBOC), says: "We have been suggesting redeployment of staff in areas like marketing to take on competition, seven-day banking, a shift system, etc, to utilise the existing manpower better. Why aren't these being considered? We are certainly going to oppose any move to reduce staff in the banks."

There is also a feeling that the government, all said and done, may not be able to muster the political will to implement many of the Verma recommendations. Importantly, both Singh and Choudhuri agree that a restructuring of this magnitude cannot take place in a sweep and has to be undertaken in phases. Besides, they are very confident that, report or no report, it is essentially their internal revival plans that would work for their banks, provided there is government support by way of recapitalisation.

Says T.S. Raghavan, chairman of Indian Bank: "The weak banks think that ushering in gradual changes is most desirable. For instance, in the case of the controversial proposal for a VRS, UCO has been addressing the issue for quite some time now. Saddled with 34,000 employees and the lowest productivity per employee (Rs45 lakh), UCO knows as well as anyone else that staff will have to be cut back. But rushing the issue may not be the answer, says Singh. "Till recently a VRS was an unmentionable word in public sector banks. At least we are discussing it today. That in itself is a big change. Things take time," he says.

Interestingly, one bank that has been badly hit by the Verma report is not among the three weak banks which are its chief targets. For Allahabad Bank, which a few years ago posted a smart turnaround on the back of a sizable government-cleared write-back of losses against equity, the Verma panel report is a rather ill-timed document. The bank has drawn up plans for an initial public offer (IPO), and being labelled a potentially weak bank at this stage certainly won't enhance the premium it is seeking to sell itself at in the primary market. Chairman Harbhajan Singh says, "While attempting to help weak banks learn the right lessons, it is also important to acknowledge the efforts of banks like ours which have staged a turnaround. We feel we are on a firm footing at this stage and the troubles are over."

In fact, Allahabad Bank is already being wooed by the country's top investment banks, among them DSP Merrill Lynch, Kotak Mahindra Capital, and SBI Capital Markets for the IPO mandate and the plan is clearly to market the stock as a turnaround story. Now, after the Verma report, things may well become that much more difficult on the IPO front.



Our restructuring plans are enough, say the banks. Not at all, says Verma

An important recommendation pertains to the tenure of the helmsmen of the weak banks. The report says the tenures of the chairmen of these banks should not be less than five years and that the executive directors should succeed the outgoing chairmen. For UCO Bank, which drew up a three-year strategic revival plan two years ago, its chief Sharda Singh is slated to retire by the end of 1999. UBI's Choudhuri, already on extension, has a little longer to go, while the maximum Allahabad's Singh has is till March 2000. For banks that are desperate to get back into the black in the sheer interest of survival, this vacuum at the top itself could be their biggest crisis.

• ALOKA MAJUMDAR

Packing some punch

Luggage-maker Samsonite has a bag full of plans

This is one company that has plenty in the bag. Having entered the Rs900-crore domestic luggage market in 1997, Samsonite is now viewing India with a new confidence. It is hoping to close this fiscal with sales of Rs70 crore, up 133 per cent from Rs30 crore last year. Encouraged by this growth, Samsonite India has chalked out its Year 2000 strategy which aims at sales of Rs85 crore. The company also hopes to increase its marketshare from 12 per cent this year to 16 per cent next year. The target for 2003 is even more ambitious: close to its global market share of 35 per cent.

Getting there will be a slog. With luggage preferences moving towards soft luggage, Samsonite too has plans to go soft. Other plans include a multi-brand strategy and a thrust on improving its retail outlets. "Our objective now is to be consumer-driven. And our task is to de-emphasise on hard luggage," says Karlheinz Tretter, president & MD, Samsonite Europe & Asia, who was in Mumbai recently.

Hard luggage holds 85 per cent share of the Indian market. However, there has been a major shift to soft luggage, which is now identified as a lifestyle product. To spearhead this thrust, the company launched its Accent range of soft luggage this April. Available in four colours and 11 models, the range includes uprights, suitcases, duffel bags and accessories such as toilet kits, beauty cases and broadbases (priced at Rs600 onwards). Samsonite also plans to introduce different products in the soft category every year.

The game plan is to be available at every price point. Worldwide, Samsonite operates multiple brands. So the logical step is to follow the same strategy in India. Samsonite luggage is marketed primarily under three main brands: Samsonite, American Tourister and Lark. Samsonite India now plans to follow a multi-brand strategy and bring the other brands here as well. For the next three years, the company's priority will be Samsonite, American Tourister, Hedgren (a European brand) and Lark, in that order.

The American Tourister brand is second in popularity to Samsonite in the US and was acquired by Samsonite Corporation in 1993. Since then, the company has taken the brand into worldwide production and distribution. "Our intention is to manufacture American Tourister in India for both the domestic and export markets," says Samsonite India MD Ramesh Tainwala. "This is the first time that a line (American Tourister) will be produced here for the worldwide market. Hence, our expectations are very high," he adds. The company has invested Rs18 crore in the project. Tainwala foresees an additional expenditure of Rs20 crore on the project. Manufacturing is expected to be underway by 2001.



PALASHRANJAN BHAUMICK

Tainwala is looking at qualitative leadership

With American Tourister, Tainwala wants to create a distinct brand personality and cover a larger market segment. The company already has a presence in the middle segment with Samsonite (price range of Rs1,500-1,800) holding 65 per cent market-share. At a lower price point (Rs1,200-2,000), the company wants to have a presence through American Tourister. "It fits in with the aspirations of the consumer. And it fits in with our strategy," he says. Exports already account for one-third of the business and with American Tourister exports will increase substantially.

Another brand which the company plans to bring to India is Hedgren, a European brand, for which Samsonite has the worldwide distribution rights. Lark is Samsonite's top brand in premium luggage. These softside bags and suitcases are targeted at the first-class executive traveller, a small but significant market.

With retail being the buzzword these days, Tainwala is trying to beef up Samsonite's retail presence too. He has undertaken some initiatives to change the luggage retail trade. For one, the company has launched a *counter hatao* campaign. Samsonite India is encouraging retailers to cut down staff strength and remove the sales counter, so as to allow the customers to be able to see and feel the luggage. "If they follow this, retailers can earn 20 per cent more," says Tainwala. To mention a case where this has worked, Witco, a luggage dealer in Chennai, reduced its staff strength from 18 to four and rearranged the store. In the last three months, Witco has seen some increase in sales.

Other changes are being introduced. The company has introduced 24-hour replenishment of stocks for dealers. Other incentives include painting the stores for the retailers as well. That calls for a lot of investment which, Tainwala feels, is well worth it. "In the long term, it will give us qualitative leadership," he says. Of course, quality will have to be backed by quantity (volumes) if Samsonite wishes to travel far.

• BHAKTI CHUGANEE

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Write approach

Faber-Castell's strategy for the millennium is clearly spelt out in black and white

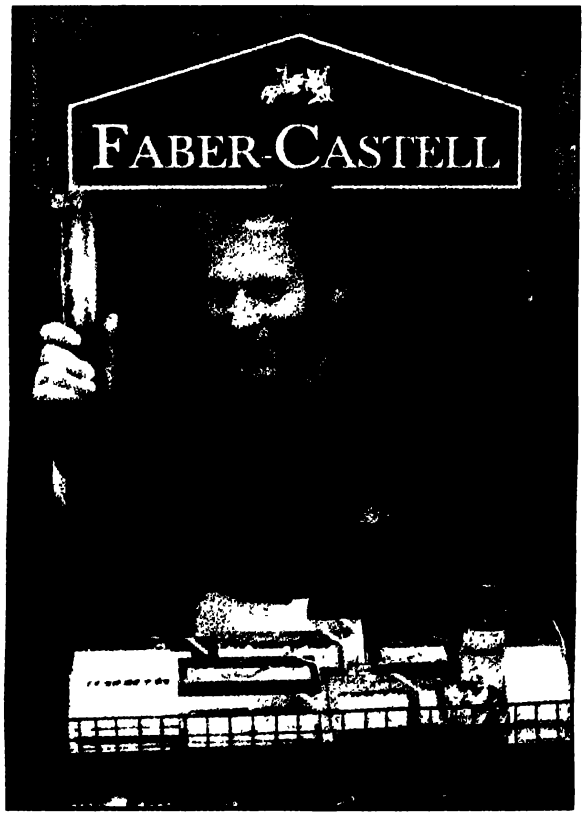
Companion for life. That's how Count Anton-Wolfgang von Faber-Castell, chairman & CEO of the Faber-Castell group of companies and Count of Nuremberg, wants to develop his company's products. And that, perhaps, was the philosophy underlying the launch of Faber-Castell erasers in India, when the global major, in the business of writing instruments, decided to enter the country a couple of years ago. "An eraser may seem an insignificant thing to start out with, but it goes a long way in spreading brand awareness among children," explains the Count who was in Mumbai last fortnight to take stock of the Indian operations.

Faber-Castell first entered the Indian market through a joint venture with Camlin, the domestic market leader, in October 1996. "But we were getting nowhere. So we decided to go it alone in 1997," says Anup Rana, managing director, Faber-Castell India Pvt Ltd. The new look Faber-Castell outfit in India has a 90:10 shareholding pattern with NRI Anup Rana holding 10 per cent.

In the first year it reported a turnover of Rs25 crore but hopes to break even only in the third year. "India's contribution to the sales is less than 1 per cent now, but the Indian market has a lot of potential, says the Count.

Rana admits that their share in the Rs850-crore domestic market is "insignificant". But he plans to make up for it in the next five years and is aiming for a Rs100-crore turnover. His immediate goal is to plump up the company's distribution network from 50,000 outlets now to 100,000 outlets across the country by the end of next year. "It is important to have shelf control," reasons the Count.

Expect also new products from Faber-Castell. Of a mind-boggling 1,800 products worldwide, only 53 have been launched in India so far. And of the three broad categories – the red range, blue range, and green range – only the red and green have been introduced here. The red range targets the 3-13 age group and includes products like colour pencils, wax crayons, and innovations like water colour pencils, magic colour changers, etc. "These are fun products which help a child learn even as he plays," says Rana. According to him, the red range has gained wide acceptance in the domestic market, contributing 60 per cent of turnover.



UMESH GOSWAMI

The Count is keen to make an impression in India

In fact, the three ranges are designed such that the customer graduates from one to the other. Thus the blue range takes off from where the red range ends, targeting teenagers and college students, while the green range targets adults with products for office use such as markers, highlighters, etc. The Faber-Castell highlighters are already gaining a lead in the market in a little over a year's time.

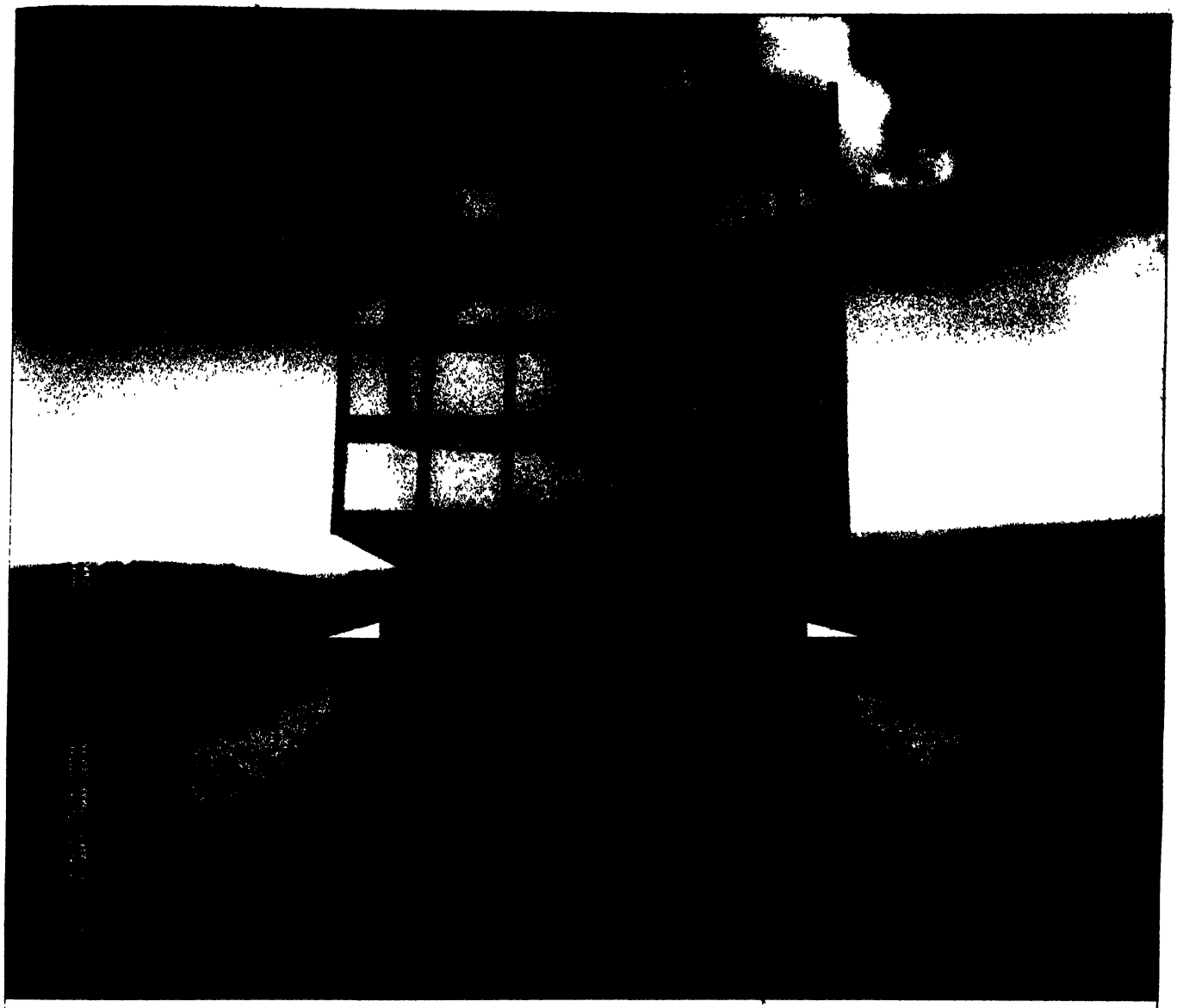
The blue range, however, has yet to be launched in the domestic market, the main deterrent being the higher cost of these products. In fact, pricing has been a challenge with most of the products commanding a 10 per cent premium over rival products.

But reasons Rana, "Our children's products use non-toxic, food-grade material and therefore, are very safe. So parents don't mind paying a little more for them." Adds the Count, "Our effort is to be affordable, not cheap. We want Faber-Castell to be known as a high-quality brand. We want to establish ourselves in niches where other players are not there. We don't like to be pushed into big volumes. That will only lead to price wars."

Inventions in black lead writing and making pencils differently will be the Faber-Castell route to the next millennium. "We don't need spectacular inventions in this industry, only attention to small details," says the Count. The result: the Perfect pencil from Faber-Castell with an eraser and in-built sharpener, crafted in an exquisite design — a reinvention of the pencil so to say. These pencils are yet to be launched in India.

In the next few years, Faber-Castell also aims to become the market leader in the premium designer wooden pens segment. "Design is an important part of my objective and Faber-Castell's brand identity," the Count asserts. The company has also set its sight on the upmarket and corporate gift segment which may not translate into high volumes but will bring in plenty of value. "India is the market of the future. There are no two ways about it," say the Faber-Castell men. Seems like they've seen the writing on the wall.

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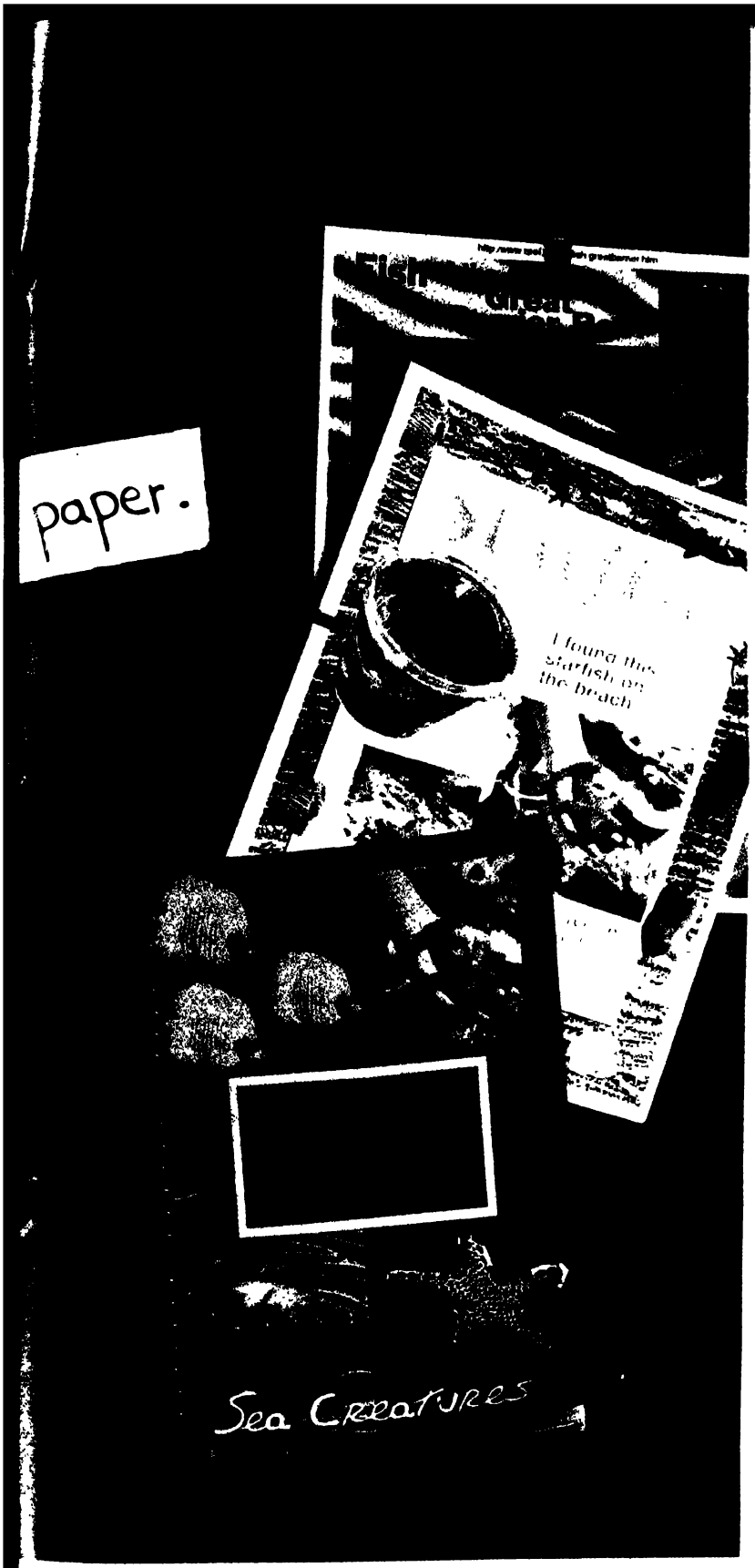
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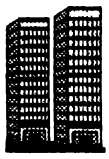
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Grey matters

An initiative by an industry body aims to bring retired executives back into the mainstream as consultants to start-ups and small companies

True to its traditional image of a pensioners' paradise, Pune is home to a vast number of retired senior executives trying to keep themselves occupied. "Pune has more than 10,000 retired senior officials from various sectors of government and industry," says Pratap G. Pawar, president of the Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA). "They are all looking for something constructive to do. This is a huge pool of talent which can be put to good use." MCCIA, which represents 1,800 companies in Pune, Ahmednagar, and western Maharashtra, has spearheaded a move to bring such people together to provide consultancy services to start-ups and other small industries.

Pawar found what he was looking for in the Voluntary Executives' Forum of India (VEFI), an organisation of experienced professionals who once held eminent positions in industry and government. "We offer advisory services to needy industry, trade, and commerce," says M.A. Phanse, vice-chairman of VEFI, which has now tied up with MCCIA to create a synergy under the umbrella of the Senior Executives' Forum (SEF) with a Rs1-lakh corpus contributed by industrialist Abhay Firodia. This forum, Pawar explains, provides these professionals with a platform, acts as matchmaker between the need for and availability of expertise. "The idea is to synergise the energy available in society. And there is enough of it — even with a pool of 10,000 experts, I wouldn't be able to tap 10 per cent!" he says.

At Rescon Manufacturing Company, which makes capacitors, a team from the forum studied the systems and made suggestions including a system of unidirectional movement of materials. "These were implemented and helped improve the manufacturing process," says VEFI chairman Y.H. Gharpure, former managing director of public-sector Hindustan Antibiotics (HA) Ltd. After retiring from HA, Gharpure was associated for some time with British Executive Service Overseas (BESO), a charity organisation with a database of 4,000 professionals offering voluntary consultancy services to small businesses around the world. "I wanted to set up something similar," he says. Hence VEFI, and now SEF.

BESO itself, according to its logistics consultant Paul Ward, has experts in every field, "from beekeepers to electromagnetic engineers". Most of them are retired, all are volunteers. The only criterion is that they must be good in their areas of expertise and able to impart their knowledge. The UK government pays BESO's operating costs; the beneficiary company pays the consultant's expenses. No consultancy fee is charged.

"We go only to developing countries," says Ward, who was in Pune to advise Dynamic Logistics on streamlining its operations. "This is my third assignment for BESO. I do a lot of other consultancy work, for which I charge as much as £300 a day. But this is what keeps my brain active." When BESO gets a request for assistance in a particular field, it contacts the people on its list in that area of work. "If the first person called is not available, or does not want to go just then, they call the next person on the list," he explains. "Whoever is available goes."

The SEF, too, will not actually nominate one mentor for each entrepreneur, says Pawar. "We will only provide a choice. The experts will elaborate whether they are offering their services free, or at nominal charges, or on a commercial basis. It will be up to the entrepreneur to finalise the details. On the forum's part, we will ensure that those we recommend are gentlemen, not scoundrels. We will be choosy about this, we won't take chances even if we are criticised."



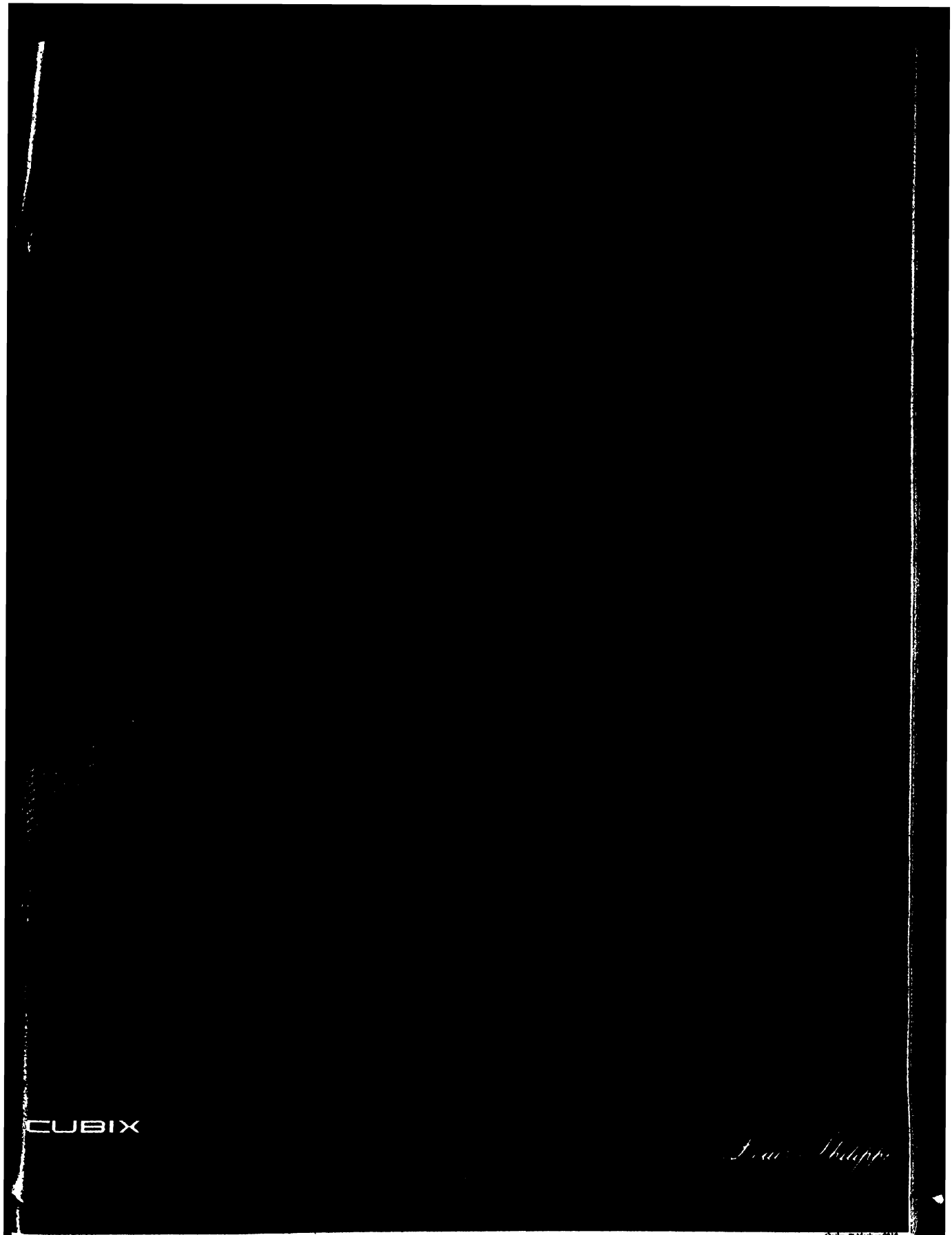
Pawar wants society to benefit from retired executives' experience

But though Pawar is firm that there will be no free lunches, this is an area where SEF seems to be stumbling. Curtain systems manufacturer Ajay Windecor Products had a forum team in to study ways of improving efficiency and conserving energy in his operation. "They came in April-May, but nothing has happened," says Ravindra Bam, managing director of the company. "They are all very



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sincere people; but unfortunately they do not expect any money. If they had charged me I would be after them!" Phanse, however, says the work was held up because Bam was too busy finalising plans for his new plant. "We have finished the spadework," he says.

Pawar's aim is to change the image of MCCIA from just a forum for ventilating its members' grievances. "We want to bring all kinds of creative brains into constructive work and practice," he says. More than 200 volunteers have registered, as against a target of 500 by 26 January 2000. "We are segregating them by subject and sector," says MCCIA secretary-general D.K. Abhyankar. "Bodies like the Kolhapur Engineering Association have approached us; and we evoked tremendous response on visits to Vidarbha, Marathwada, and Nashik. We also have requests from Kochi and Chennai."



Free lunches are no good, feels Bam

MCCIA and its president are not the only ones working to harness the grey cells of grey heads for those who can benefit by their experience and expertise. V.C. Joshi, who retired as a senior general manager with Bank of India and was director of the National Insurance Academy till 1993, set up Comutec Robotics Ltd and, later, MDC consultants to provide advice in banking and insurance. Other retired chief executives working with him include former LIC chairman M.G. Diwan, retired National Institute of Bank Management (NIBM) director R. Bandhyopadhyay, and Sangli Bank ex-chairman A.B. Aradhye.

"We offer consultancy with a different, proactive approach," says Joshi. "We don't just solve problems; we try to pre-empt them." This is what all organisations of retired executives must do, he feels. "Unfortunately many of us don't update ourselves; we rely on our experiences of five or seven years ago which are highly irrelevant in today's changed context, especially with the systemic changes in banking after liberalisation," he says.

P.B. Kulkarni, who retired as chairman and managing director of the Bank of Maharashtra, is not only chairman on some companies' boards, advisor to some others, and active in MCCIA as chairman of its banking and finance committee, but has also joined hands with other retired chief executives to set up a consulting firm. Ascent Strategic Management, he says, has begun with offering advice in the fields of security and banking, but will soon offer a holistic solutions approach. "We seniors don't do any running-around," he explains. "We guide a team of younger people who do the legwork and actual hands-on implementation."

Yet another retiree with the same idea, but wanting to use it in a different field, is V. Srinivasan, chief executive of the Society for Service to Voluntary Agencies (Sosva). The number of retired people in urban India by 2010 will be "staggering", says Srinivasan. So he has begun getting such people involved in urban social service voluntarism. It is a small beginning: Sosva has placed about 50 senior citizens with various non-governmental organisations — as income-tax consultants, to help prepare project reports and work in other areas of their individual expertise.

Unlike the avowed aim of MCCIA and the others to charge for the service, however, these people cost the beneficiary NGOs nothing. "No paid employee can compare with a dedicated volunteer," Srinivasan insists. "And with the spread of the nuclear family, retired people no longer have grandchildren to mind; so they can mind society's grandchildren instead!" Practically, there are problems: Srinivasan, who himself retired as Maharashtra's health secretary, has to keep going to the US for medical treatment; Sosva's former additional chief executive K.S. Boroi, who was vice-president of the Maharashtra Housing and Area Development Authority, has had to move to Mumbai; and his successor too has indicated that he will be in Pune only for a short stint. But K.K. Sachdeva, who was the managing director of the Housing and Urban Development Corporation (Hudco) and now chases Sosva's cases in the capital, continues to play a vital role. "With 99.9 per cent of the donors being in Delhi – mostly in government – opportunities come while moving the government corridors," he admits.

A.V. Raman, retired joint director of the Central Institute of Road Transport, explains the initiative thus: "We are like loaded springs when we retire. A sudden release of the pressure would crack us, so we need to unwind gradually. Moreover, we want to give back to society what we have taken from society."

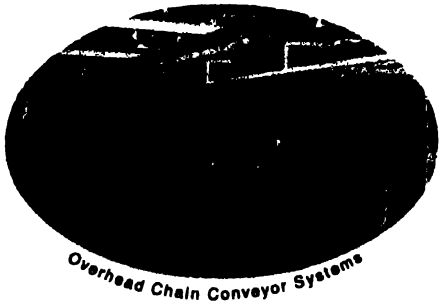
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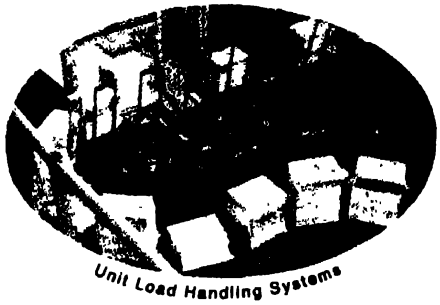
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Field-day for foreign coal



SAJAL BOSE

Following a duty reduction, cheaper imported coal has flooded the Indian market. Will coal-using industries be able to reap its benefit?

As global coal prices have dipped to new lows in the last few months, managers of the power, cement, and steel industries are scouting around for cheaper coal to cut their fuel costs. Coal India Ltd (CIL), the main domestic producer and supplier, admits that its coal is at a price disadvantage against imported varieties because of high freight costs. Technical director N.K. Sharma recently said at a press conference that, while the price of South African or Indonesian coal with a gross calorific value of 6,400–6,600 kcal/kg works out to Rs225–250 per million kcal/kg, the coal produced at Mahanadi Coalfield costs Rs110 per million kcal/kg and the C-grade coal produced at Southeastern Coalfield, costs about Rs170 per million kcal/kg at the pithead. What he meant was that it is the high transport cost that makes Indian coal costlier for customers who are located at a distance from the pitheads.

A major reason for the drop in the prices of coal imports is the increasing competition between traders in the international market. A couple of years ago there were only a handful of importers. Now more and more players are entering the field. Among the old ones is Glencore, a dominant player now, particularly in non-coking coal. This Swiss company, with its considerable resources, is now offering terms that others, constrained by smaller volumes of business, cannot match.

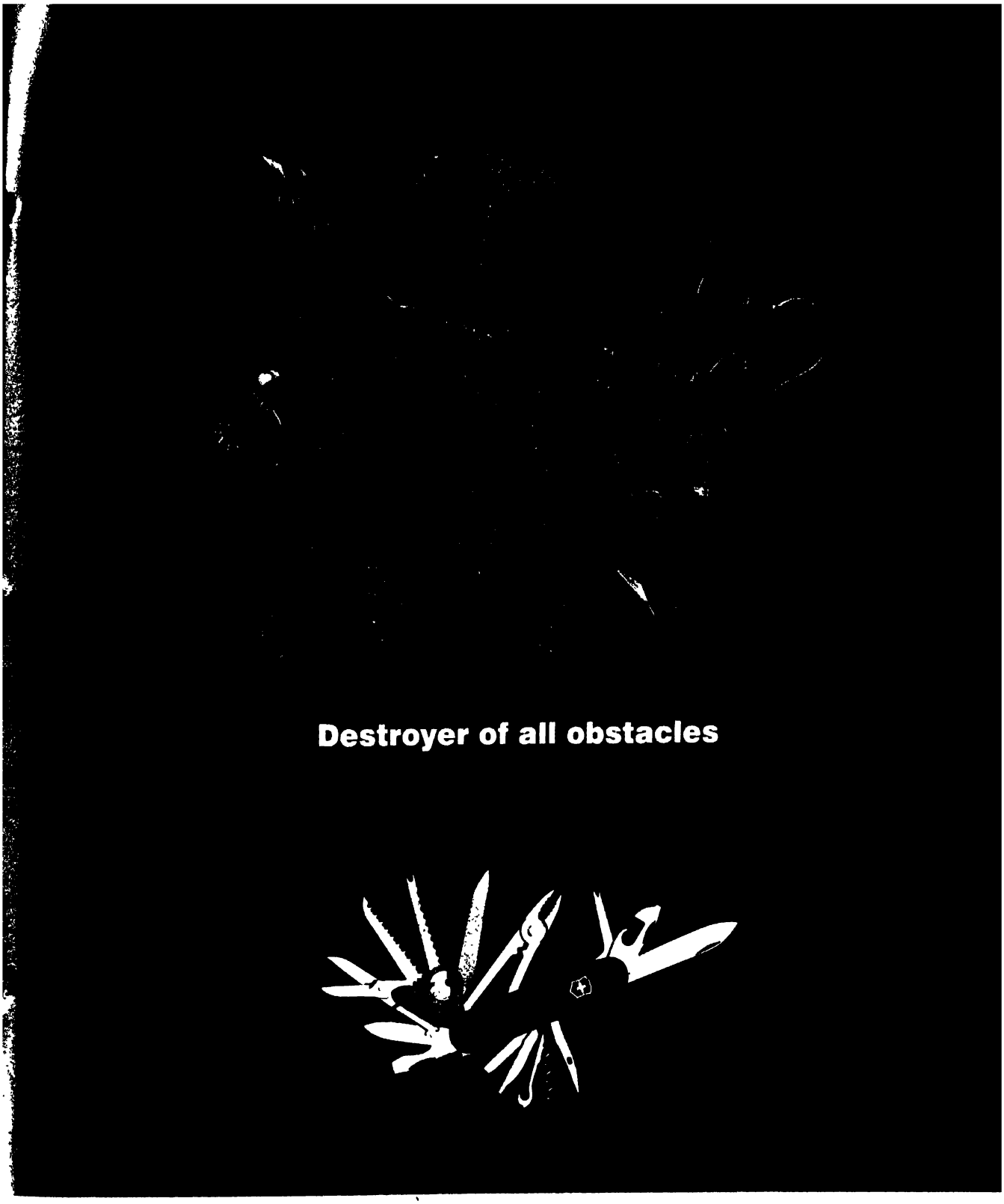
Almost all the big international players are now coming to India. Nobel, Bulk Trading, RAG, Anglo Coal, Masefield, Ingwe, ETA, and quite a few Chinese companies already trade in non-coking coal. In the coking variety the players include BHP, MIM, Shell Coal, South Black Water, Fording, and Chinese companies. But Shell Coal has now announced its decision to sell its global coal business through auction. Trade circles believe the decision has been induced by the sharp drop in coal prices worldwide, making the business uneconomical.

However, the number of coal exporters to India keeps on growing. The most recent entrants are Samsung of South Korea and Japanese trading house Itochu. Some Indian parties have struck extremely good bargains because of the number of eager sellers.

Another important swing in recent months is towards spot sales rather than medium- to long-term contracts. In most cases spot cargoes of one or two consignments are booked and hardly anyone is taking more than 200,000 tonnes at a time. Trade circles say this is because the international market now is highly volatile. Even a major importer like Steel Authority of India Limited (SAIL) has made some spot purchases of coking coal.

The main attraction for global coal trading firms has been the Union government's move to slash the import duty on coal from 35 per cent two years ago to 20 per cent at the moment. They are confident that the government, whichever party comes to power, will not reverse the trend suddenly since this suits a section of core Indian industry.

It may be noted that all coal imports at the moment are not made by the actual users only. Nor are all importers booking full shiploads of cargo.



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According to one trader, often two or three importers jointly book one cargo load and then share the consignment among themselves. "The Indian traders are now importing for retail sale too," he adds.

In striking such deals, bigger ships like Panamax are preferred since these keep the unit freight costs low. But then all Indian ports are not equipped to accommodate them, since unloading of a big vessel requires adequate clearing facilities. For traders, smaller vessels often prove more economical because they can sell the cargo faster and thus keep their money rolling.



CIL is doing its best to keep its customers from switching to imported coal

Importantly, some Indian ports like Paradip and Ennore, in view of the changing situation, are planning to open exclusive coal berths. Others too are known to be making extensive arrangements for coal handling. Some small ports and anchorages on the Gujarat coast have come up in a big way through the coal trade, while some Indian cement companies have developed their own jetties for coal handling — Gujarat Ambuja Cement has one at Muldwarka, and the Aditya Birla Group another at Sikka (this earlier belonged to Shree Digvijay Cement, which the Birlas have recently taken over).

Meanwhile, there is another important development. In recent months freight charges have been going up even as the coal prices have been easing. On routes from South Africa to India's west coast, the charges have risen from around $7–8 per tonne a couple of months ago to at least $10 now, and indications are that this uptrend will continue for some time more. The net result is that the landed cost of imported coal is being pushed up.

One importer attributes higher freight charges to a recent rise in bunker oil prices. He claims that oil prices are up by nearly 30 per cent in Singapore, where it traditionally sells the cheapest. The recent disturbances in East Timor have also put pressure on availability of vessels, since the turnaround time at the Indonesian ports has gone up considerably. This in turn has impacted on ship space on offer on some routes.

However, despite the steady swing in favour of imported coal, CIL has in recent months taken several steps to counter the situation. It has been trying to address its customers' standing complaints. One of these is that the monopoly coal producer refuses to entertain any case for supplies that do not quite conform to agreed specifications or weights. Now arrangements are being made for discussions and consultations with buyers. More care is also being taken to ensure that the right type of coal goes to the buyer in the right quantities. Marketing division officials claim that these changes have found good response among a large section of CIL's customers.

Yet there's no denying that the biggest constraint for CIL has been pricing. Its costs of production are too high because of overheads and low productivity. CIL has been working into deeper and deeper seams, which adds considerably to costs. Also, railway freightage is on the rise, and this means a higher cost to customer. And not least, there just isn't enough good quality coal around.

This is what originally compelled SAIL to go in for coal imports in the mid-1980s. The steel companies have found that the costs incurred on washing the high-ash coal are a heavy burden. What's worse, even the washed coal is often found unsuitable for certain types of operations. Hence SAIL has all these years been trying to blend imported coal with local varieties.

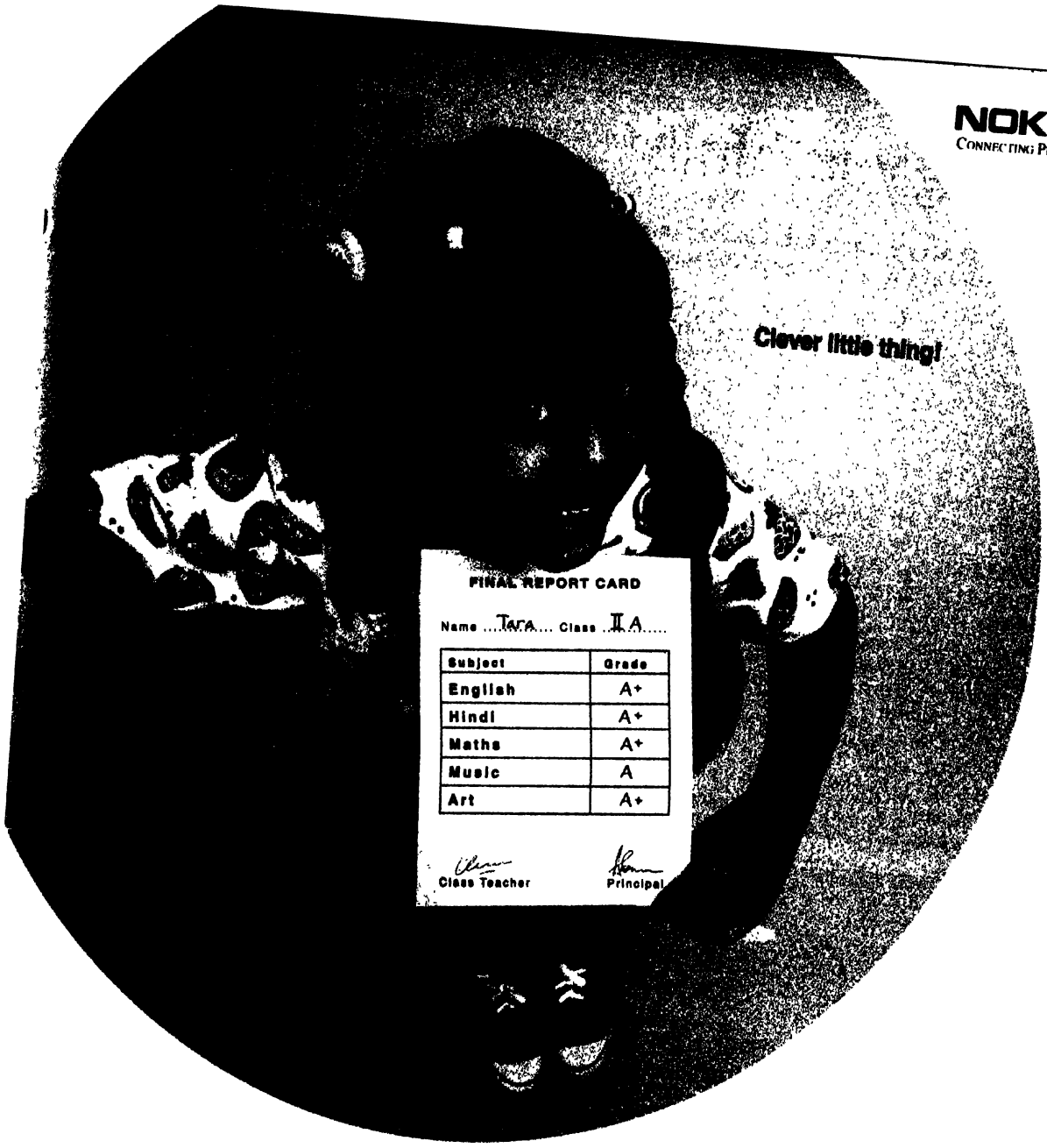
The market slump the steelmaker has faced in the last few years has affected its offtake of imported coal, however — SAIL has upgraded its technology to save on coal consumption. Experts point out that, owing to lower imports of coking coal by SAIL, India's total coal imports in 1998–99 were kept well below the 1997–98 level of 17.21 million tonnes.

The perspective may undergo another major change when, in June next year, the new pollution norms for coal use in powerhouses comes into effect. The norms, drawn up by the Ministry of Environment and Forests (MoEF), cover power plants located in urban areas, sensitive areas, critically polluted areas, and those units that are located over 1,000 km from the coal source. All these plants will not be allowed to use coal with an ash content exceeding 34 per cent.

Once this norm is effective, the beleaguered coal industry will face another problem — the existing washery facilities aren't adequate to handle the volume. Some private companies are known to be planning to set up washeries, though experts fear that even these efforts are not enough. "Bringing down the ash content from an average of 45 per cent to 34 per cent is not quite easy and such difficulties may ultimately force the powerhouses covered under the MoEF norms to resort to imports," they conclude.

· KAVERI MITTRA

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Ageing youthfully

How the country's oldest functioning industry association hopes to stay at the forefront in the new millennium

Established on 22 September 1836 under the auspices of Sir Robert Grant, governor of the erstwhile Bombay Presidency, the Bombay Chamber of Commerce and Industry (BCCI) is veritably India's oldest extant apex association of industry, celebrating its 164th anniversary recently.

Founded by John Skinner as the Bombay Chamber of Commerce at a time when Bombay was little more than a small trading post located in "Mahratta Country", the Chamber began as an unregistered association of persons with 25 organisations as its charter members, its first management committee comprising five Englishmen and three Parsi Indians. In 1924 it was registered under the Indian Companies Act, 1913, and in 1956 it was rechristened as the Bombay Chamber of Commerce and Industry.

Its current president K.K. Nohria, CMD of Crompton Greaves, says many of the Chamber's proposals and recommendations have found reflection in government policy. "We, however, maintain a lower profile than some of our counterparts who are wont to tom-tom their most trivial achievements," he points out.

His predecessor, Mahindra & Mahindra director R.K. Pitamber, concurs, indicating that several such recommendations were incorporated in last year's Union budget, including the decision to reduce government holding in non-strategic public sector enterprises to a maximum of 26 per cent, opening up of the insurance industry to Indian companies in the first instance, implementation of the 1988 Parliament resolution of cess on fuels for road sector development, and providing funding and financing options for infrastructure development.

Nohria says that, its nomenclature notwithstanding, BCCI is a truly all-India forum as two-thirds of its 1,432 members are large and medium-sized enterprises, as also multinational and public sector companies and national and international banks with their corporate headquarters in Mumbai.

PALASHRANJAN BHAUMICK



Nohria says BCCI is on the right path



"Our members contribute over half of India's GDP," he maintains

It was the issue of professionally managed companies as opposed to family-run ones that early this year led a peeved BCCI to threaten to pull out of the Associated Chambers of Commerce and Industry (Assocham), of which it is a founder promoter regional chamber It had then protested that Assocham had not been adequately representing BCCI's interests in Delhi "Fortunately Assocham saw reason in our protest, and the issue resolved itself," says a BCCI functionary

Nohria notes that, in Maharashtra's context, BCCI ensures sustained contact with the state government to ensure that the state and its capital Mumbai do not lose out as the preferred investment destinations Stressing that he has no desire to carry out changes for the sake of changes in the basic functioning of the Chamber, he says he will ensure that the good work of his predecessors is continued and intensified "If BCCI has remained alive and active all these 164 years, there must be merit in the path it is pursuing"

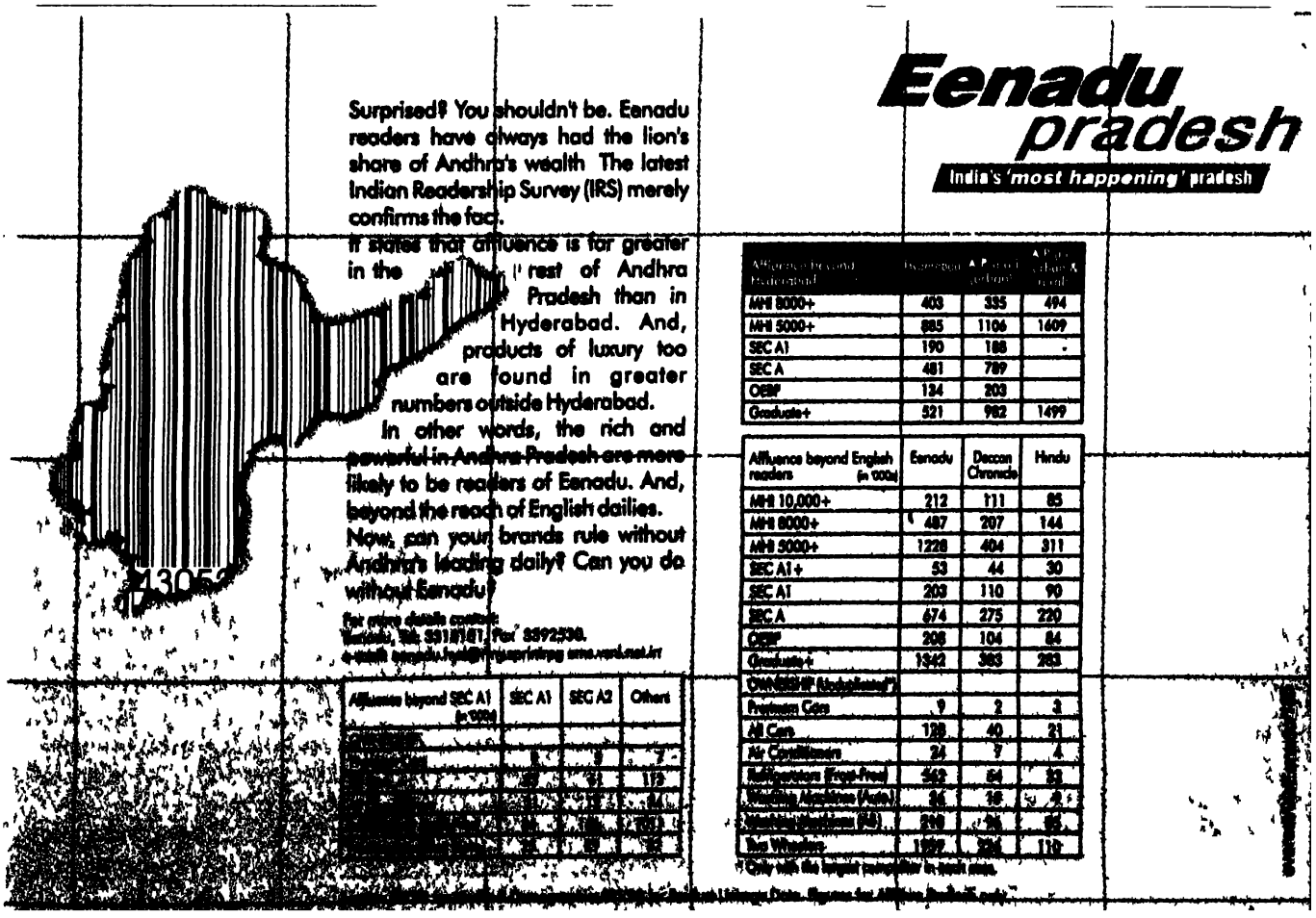
BCCI executive director and secretary Larry A D'Souza observes, "Though Mumbai is the undisputed financial, commercial, employment, and services capital of the country and the headquarters of most India-based multinationals and domestic and foreign banks, and the metropolis where the country's premier stock exchanges and air and sea ports are based, nowhere in the world is a place of such significance ignored so effectively"

He says there are umpteen instances abroad where chambers of commerce located outside of the political capitals, such as in New York, Milan, Zurich, and Frankfurt wield tremendous influence over the national establishment "But in our context the Reserve Bank, which itself recognises Mumbai's pre-eminence by being headquartered here, has chosen not to recognise BCCI," he regrets

Nohria says BCCI the Chamber has identified five thrust areas for study for which five expert groups have been created The first is for positioning Maharashtra as a premier investment destination, the expert group being chaired by Vithal S Palekar, president of the Maharashtra Economic Development Council and a former Chamber president The second is on rendering Indian industry competitive in a global environment by evolving the right leadership The third is on the implications of the World Trade Organisation and intellectual property rights and this will be headed by former Hindustan Lever chairman and Chamber president A S Ganguly, now chairman of ICI India Ltd

The fourth thrust area concerns aggressive disinvestment, expenditure reforms, and the promotion of a common economic market within the country and this will be chaired by S A Dave, chairman of the advisory board of the Bombay Chamber Trust for Economic and Management Studies And the fifth thrust area, presided over by IIT chairman K B Dadiseth, is on making rural India the business of urban India, Nohria adds

• SAROSH BANA



Medica millennium

Indian medical equipment manufacturers participate in the sector's showcase event in Germany later this year

As many as 20 Indian companies based in Mumbai, New Delhi, Faridabad, Lucknow, Ambala, Navsari, and Agra have registered for participation at Medica '99, the world's largest medical fair to be held in Düsseldorf on 17-20 November.

On his recent visit to Mumbai, New Delhi, Bangalore, and Mysore to evaluate the products of the Indian exhibitors and assess the technology requirements of Indian hospitals, Horst Giesen, project director of *Messe Düsseldorf* (Düsseldorf Trade Fairs), told *Business India*: "Unlike manufacturers from other countries, Indian medical equipment firms receive no sponsorship either from the government or their association for participation at such fora overseas as they are as yet an unorganised sector." They hence need to rely solely on the viability and marketability of their products to carry them through, he adds.

K.C. Damodaran, director (trade fairs) of the Indo-German Chamber of Commerce, points out that most such Indian manufacturers are small and medium-scale and primarily focus on medical disposables. But he adds that the Mysore-based medical equipment division of Larsen & Toubro and Mumbai's Transasia Biomedicals Ltd will be showcasing their indigenously developed state-of-the-art diagnostic equipment which is globally competitive.

Giesen emphasises that the annual Düsseldorf trade show is less a bazaar for instant business than a platform for future trade. "Medica provides a grand forum for making business contacts and potential collaborations as also for ascertaining the technical innovations and pioneering solutions in all areas of medicine and gauging the standards of one's own product line," he indicates. He says it is not possible to assess the volume of business generated in the wake of this event, though its phenomenal success can be determined from the repeated participation by the exhibitors as well as from their growing numbers year after year. Around 500 Indian trade visitors representing the medical and pharmaceutical industry as well as medical consultants and technologists, doctors, and hospital administrators are expected to visit the four-day fair, the 31st such event since it began in 1969.



A hi-tech exhibit at last year's Medica

J.V. Vaidya, senior deputy general manager of L&T's medical equipment division, is enthused by the response his company has received at Medica, which is the prime international communications platform for the medical sector worldwide. "Last year we registered some 170 visitors from 50 different countries at our stall and recorded a business spin-off of Rs50 lakh," he says. "This time we anticipate our business prospects to expand tenfold, mainly because of a more vantage location for our pavilion and a greatly enhanced product profile."

He says the division will be displaying such premium state-of-the-art diagnostic equipment as its ultrasound scanners for sono- and echo-cardiography, ICU monitors, surgical cauteries, and pulse oximeters, all indigenously designed by the company's R&D and manufactured to comply with international safety standards.

L&T Medical has been exporting to countries like Sudan, Dubai, Sierra Leone, Sri Lanka, Bangladesh, Zambia, and Nepal. In addition, it used to export ICU monitors to UK-based Kontron Instruments for the latter's branding and worldwide sales and had a similar contract with the midrange German company of Erbe for its high-frequency surgical equipment.

Transasia's senior product executive Sandhya Bastian says her company too had similar overseas collaborations, but subsequently introduced itself as a globally competitive manufacturer. "Medica is a prestigious forum for our trade and we propose to unveil our new fully-automated and indigenously fabricated and designed biochemistry analyser at the event," she says. "This product will be introduced in the Indian market in April next year."

Medica '99 will have 1.2 lakh visitors from all over the world flocking to view the innovations of 2,800 exhibitors from over 50 countries displayed across a gross presentation area of 100,000 m^2. Last year's event was visited by 1.19 lakh and had 2,665 exhibitors from 54 countries, 263 of them from the US alone, straddling an overall 80,000 m^2 of exhibition space.

Giesen says the exhibit focus of Medica '99 will be electromedical equipment and medical technology, and the orientation towards current developments in the international medical market. Exhibit categories will include laboratory technology, diagnostics, reagents, devices and systems, clinical chemistry, and pharmaceuticals. Requisites and consumables for surgeries and hospitals, clothing, as well as articles for disinfection, cleaning and waste disposal will also be on display.

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The TDP's win in the Andhra Pradesh elections is an endorsement of CM Chandrababu Naidu's vision for the state



PALASHRANJAN BHAUMICK

As pro-poor campaigner, Naidu communicated a credible identity

Tarun Das, director-general of CII, says emphatically: "The re-election of the Andhra Pradesh government has for the first time sent out a strong message that people like economic reforms, that they want policy changes, that they want a better quality of life that flows from these reforms." The victory of N. Chandrababu Naidu was remarkable in more ways than one. It proved all political pundits and media analyses wrong. These had predicted the incumbency factor and the campaigning of Sonia Gandhi to result in a possible defeat of the Telugu Desam party at the polls. At his first press conference after the results were announced, an elated Naidu declared: "The *anuhya vijayam* (overwhelming victory) of the TDP in the Lok Sabha and assembly elections was because of the support extended by womenfolk, my government's performance, and seat-sharing with the Bharatiya Janata Party."

A close friend of Naidu points out that the victory was a well-researched launching of the "Babu" brand. "We continuously evaluated it with feedback from the market. When it appeared that the CEO IT image was working against him, the computer savvy was underplayed and a new Babu, the champion of the women, youth, and downtrodden, appeared. Truly, even Jack Trout can learn a lesson or two from our chief minister." This is reiterated by the advertising agency that handled the TDP campaign. "The icon campaign," Ram Reddy of Priyadarshini Advertising calls it. For example, one campaign was: "I never accept garlands or bouquets, I never encourage *tulabarum* (weighing the politician in gold or silver). I have slogged day and night for four years for your welfare, asking nothing. You can now give me something in return — your vote."

This was reinforced on ground by Babu, not a laptop-toting but a pro-poor Babu, fielding schemes like Aadarna for artisans, Roshni for minorities, and Chaiyutha for the physically handicapped, touring villages tirelessly, holding the hands of accident victims, pulling up government officials for non-performance, lending a sympathetic ear to the villagers woes and emphasising the message: 'Vote for the party leader'. Since the entire campaign was pinned on the leader, Naidu could take the risk of fielding rank newcomers in several constituencies — former CBI chief Vijayrama Rao against a Congress stalwart; an efficient lady government official working with the Dwacra (thrift) groups; a reporter of a regional newspaper; and others.

The urban voter was never a cause for concern. Despite his poor communication skills, Naidu had already won their hearts with his 10 flyovers, clean and green Hyderabad campaign, and use of IT to create a 'smart' administration. Some of his initiatives affected their way of life. Hyderabadis who went to get their cars registered or property transferred were bowled over by the speed with which their jobs were handled in the twin cities. Tim Fischer, a writer, remarked he was surprised to hear the man on the street like his autorickshaw driver professing pride in being a Hyderabadi. Ten-year-old Vijay, a pupil of Hyderabad Public School, told Fischer he was glad Naidu had won. Asked why, Vijay said: "The chief minister visited our school and told us a nice story with the moral that we must throw all sweet wrappers into the dustbin." Nagarjuna, the film star, is reported to have quipped, "Even on a Kenyan safari when I said I was from Hyderabad, I had to explain that it was situated between Bangalore and Chennai. Immediately my tour operator said, 'Oh, the IT chief minister!' We must give him credit for putting Andhra on the national and international map."

The rural voter, however, created a crest in Naidu's brow. He had removed the populist rice-at-Rs2 and lifted prohibition, replacing them with several schemes like Janmabhoomi, where villagers participated in decision-making relating to where to build wells, schools, and houses. The government raised half the money; the villagers participated in the construction. At one stroke this did

away with middlemen and contractors and improved the rural living conditions. Several crores of money had been pumped into the scheme, even at the cost of bureaucrats grumbling that money allocated for their department was being diverted into the chief minister's pet project. The water users association (WUA), where farmers manage their own irrigation systems, was a great success. It had won kudos for Naidu not only from the World Bank but also from the farmers themselves. Till then the farmers at the end of an irrigation canal rarely received water even if they paid water cess. The WUA rectified this and tackled the problem of waterlogging, which destroyed crops every year. Productivity increased fourfold in the rice-growing coastal belt. In places like Kuppam the drip irrigation scheme, with Israeli technology, had transformed a dry land into a grape- and sugarcane-growing area.

Naidu, however, realised that this was not enough. Statistics showed him that women had emerged as an important new vote bank. With the success of the Dwacra or thrift groups, women no longer walked behind their menfolk to vote. Instead, they discussed the elections in their weekly *mahila* meetings and walked together in groups to cast their vote. To catch the imagination of this segment, he had a brainstorming session in the secretariat with his bureaucrats. A lady officer threw up the idea of free gas connections, which translated into the Deepam scheme — the promise of 10 lakh LPG cylinders for rural women identified as below the poverty line. The government subsidised the stove, after which refills had to be bought by the beneficiaries.

When the first lot of cylinders were distributed the Election Commission, based on a representation made by the Congress, stalled the scheme. On its own the scheme perhaps could not be sustained because of time constraints in planning out its logistics. It may even have collapsed, but this time an adversarial Congress actually came to the rescue. Naidu told the rural women, "I have seen my mother and sisters working at the *chullah* with tears in their eyes. I wanted to wipe away these tears; but others are not allowing me." This fuelled the imagination of the women, who constitute half the electorate, and they voted in large numbers.

The Congress attempted to negate Naidu's efforts with a single master stroke: the promise of free power and a waiver of dues for the farm sector. Feedback showed that only 4–5 per cent of the big farmers would be affected; for labourers and other marginal farmers with smaller land



The CEO's back, and this time he owes it to Andhra's women

holdings, water was more important. So Naidu boldly asked the farmers one question: 'Would you like free power now and no power later or uninterrupted quality power at low rates?" The honest reasoning seemed to have worked.

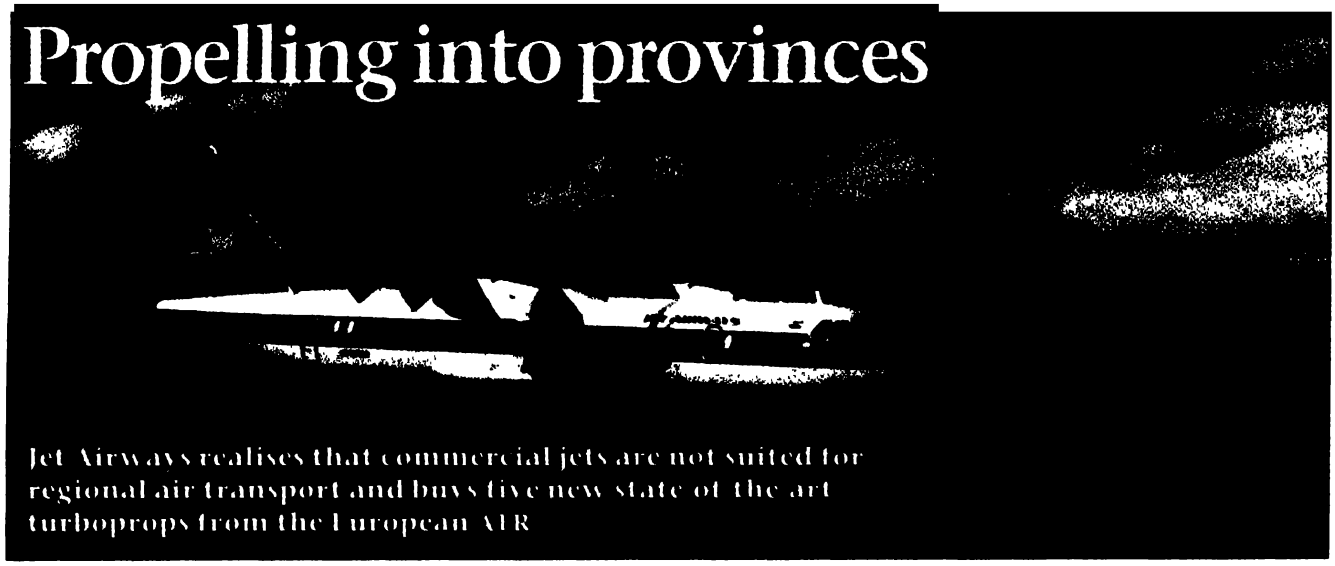
The Andhra Pradesh elections have shown that the politics of development can indeed translate into the politics of votes. It shows that the electorate has come of age; it is not swayed by grand electoral promises and makes a conscious choice based not on caste considerations but on 'What's in it for me?' On the other hand, it has also ushered sophistry into the election process. Like developed countries, a politician with some achievements in his kitty can use marketing gurus, market feedback, and technology to carefully cultivate and nurture a winning brand.

Naidu cannot afford to rest on his laurels. He is saddled with a cash-strapped state exchequer, an unhealthy power position, and an unwieldy bureaucracy. Though Andhra has risen to third position in terms of investments attracted, much of the Rs65,000 crore remains on paper. The much-talked-about Hi-tec City is still largely unoccupied. The state information network (Apvan), a consortium between the government and Singapore, has been put on a back-burner. Says Capt. J. Rama Rao, "He has to have a clear game plan for power. There's no point just adding 10,000 MW into a bottomless pit. Transmission and distribution losses have to be reduced; inefficiencies in consumption and pilferage losses have to be stemmed with political will." S.R. Vijaykar, board member of *Loksatta*, says: "Chandrababu Naidu now has to plug the gaps in his 'smart' administration. The right to information bill should be passed in the next six months and equal access to information assured. The Panchayat Act should be implemented to ensure true decentralisation."

There is, however, an air of optimism in the state. The International Business School, ICICI's Knowledge Park, and Bill Gates' visit too may become a reality now, they say. Real estate prices are shooting upwards with expected investment inflows. In his typical no-nonsense fashion, Naidu declared: "One hundred days have been wasted in the elections. All my efforts will be to create a healthy and literate state." He followed this up with an announcement of a waiver of school and college fees for students in the drought-hit areas of the state. Naidu realises all eyes are now on Andhra Pradesh. With 29 Lok Sabha members under his belt, he is in a strong position to bargain with the Centre. Will he use his political leverage to procure Central bounty for his state and avoid fiscal bankruptcy? Will he use the five years to prove that his model of politics and development can be a winner in his home state before moving on to the higher echelons of power? Only time will tell.

MEERA SHENOY

Propelling into provinces



Jet Airways realises that commercial jets are not suited for regional air transport and buys five new state of the art turboprops from the European ATR

"Indian Railways has been the veins of the nation, and they ran 12,000 trains daily and carried 11 million passengers per day during 1998," says Antoine Bouvier, CEO of Avions de Transport Regional (ATR). Now, is he pitching for an ad campaign for Indian Railways or is he a Rail Road freak who loves IR because it is a living museum of endangered engines? The answer is, neither. Bouvier is hoping that a tiny 1 per cent of these train travellers can be persuaded to switch to air travel, if proper connections are made available to them with reasonable fares. That would mean over 1 lakh air passengers a day, travelling mostly on regional (non-metro) routes, leading to a sale of over 250 of ATR aircraft that his company produces in Toulouse, France. Clearly a mouth watering proposition for any aircraft maker.

However, ATR has not been successful in convincing the Indian airline industry about its product for over 10 years. The main stumbling block have been the relations between British Aerospace and HAL and hence Indian Airlines and the Indian government, which led to the licensed production of Avro aircraft in India. As many blemishes in Avros came to light their production was discontinued both by British Aerospace and HAL. Today, there is a genuine vacuum as far as turboprop aircraft are concerned which are ideally suited for regional routes.

Jet aircraft are most fuel efficient at altitudes between 30,000 feet and 40,000 feet. However, if one is flying from Mumbai to Ahmedabad or Bhavnagar or Udaipur or Diu, or from Delhi to Chandigrah or Indore, then before the jets even reach that cruising altitude, the descent will begin, thereby leading to high fuel consumption and hence unviable operation. Moreover, a commercial jet like the Boeing 737 takes anywhere between 110 and 150 passengers, depending on the model. Thus, if the airline is not able to fill sufficient seats in short haul routes then there is added loss. In such a situation, ATR (a 50-50 partnership between the Italian government-owned Alenia and the French privatised Matra-Aerospatiale), which produces two versions of turboprop aircraft, that carry 50-70 passengers, is a potential candidate for regional transport.

Advantages of ATR

ATR aircraft have been equipped with Dynamic Vibration Absorbers (DVA) to cut the vibration and noise levels inside the cabin. These hi-tech equipment are tiny rectangular boxes that fit easily inside a palm. In the fuselage there are eight cross-sectional frames, that are in the vicinity of six bladed propellers. As the propeller rotates, pressure pulses hit the aircraft six times per rotation. These pulses are the primary source of noise and vibration in the aircraft. However, with DVAs, these vibrations lead to resonance in these black boxes and no vibrations in the frame itself thereby leading to high level of comfort inside the cabin. An alternative technology for noise reduction is active noise suppression wherein a series of speakers hidden inside the aircraft produce vibrations of proper amplitude and frequency cancelling the effect of external noise. However, this technology needs frequent fine tuning by the aircraft engineers adding to complexity of maintenance. Hence, ATR chose the passive noise suppression system of DVAs.

The fact that 119 airports out of 340 in India have runways that are less than 1.5 km long while jet aircraft need a minimum of 1.6 km of runway, make ATRs especially attractive, as they need only 1.2 km long runways. Already, 575 such aircraft have been sold worldwide to 95 airline operators. *Business India* was part of a press group that flew in a demo flight of an ATR 72-500 that has been purchased by Jet Airways, in Toulouse on 20 September 1999. The aircraft has not only good cabin space for passengers as well as overhead luggage but also low noise and vibration levels unlike most turboprops. Pressurised cabins make sure that one does not go through torture during take-offs and landings.

Jet Airways is taking delivery of three such aircraft this year and another two next year and plans to start an ambitious regional service to feed the metros for both domestic and international travel. ATR however is

Aero-engine basics

Turbojet: The jet engine moves the airplane by ejecting exhaust gases at high speeds from the nozzle of the engine. The resultant reaction, like the "kick" in a rifle, propels the airplane forward. A turbojet engine consists of three basic parts: the compressor, combustion chamber and the turbine. The compressor in the forward part of the engine draws in large quantities of air, compresses it to high pressure and forces it through the combustion chambers. Fuel is forced through spray nozzles into the combustion chambers where it is mixed with air This mixture is then burned in a continuous combustion process and hot gases pass through turbine wheels.

Part of the energy of the hot gases is used to rotate the turbine wheel which is in turn used to drive the compressor by means of a direct shaft. The hot gases then expand and blast out of the tail pipe nozzle at high velocity. The reaction to the momentum of the escaping gases is the thrust force which propels the airplane. By injecting fuel in the hot gases in the tail pipe one can get additional thrust which is called "after burning". Turbojets produce high thrusts and lead to high aircraft speeds but are highly fuel inefficient as the exhaust carries away a lot of heat energy. Thus they are used only in military jet fighters. To achieve higher fuel efficiency turbofan engines were developed, where about 70-75 per cent of the engine power is transferred to the turbofan while only about 25-30 per cent power is obtained from the jet nozzle. Most commercial jets have turbofan engines.

Turboprop: Though turboprop engine development began in 1926 with the ideas of an English scientist Griffith, the real push for this development came in England and France in the late 1940s. Viscount 630, a turboprop airplane was pressed into the first commercial passenger service in 1950. Basically the turboprop engine is a turbojet with most of the heat energy being converted to shaft power by the turbine wheels, leaving very little for jet reaction. The basic parts of the engine are the same in both the engines except that larger or greater number of turbine wheels are used in turboprop. Moreover, the compressor rotor shaft extends forward and drives the propeller shaft through a system of reduction gears, so that propeller blades rotate at far lesser revolutions per minute (rpm) than the turbine.

eyeing big fish like Indian Airlines and government agencies like BSF. With an in principle understanding with HAL to produce ATR aircraft in a phased manner at their now idle Kanpur factory. As more and more travellers to and from metros opt for air travel for comfort and time saving if proper services are provided, regional air travel is set to boom. After all, it is growth in regional air transport that has led to the fantastic boom in air travel in US during the 1980s and especially the 1990s.

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All set for the take-off

US-based Verus Corp is the white knight in a cross-border deal to set S.K. Modi's grounded airline flying again

In 1993, the government finally decided to 'open' the skies to privately-funded air operators once again. This reversed a policy set decades ago, when all the airlines, including Air-India, set up by the House of Tatas, were nationalised. Needless to say, consumers who had been subjected to the vagaries of, and unique service standards set by, the nationalised airlines were keen to see how the private operators would fare. In the beginning, the service was limited to 'air-taxi' operations, but this very quickly gave way to full airline service. However, most of the licensed scheduled airline service operators – Jet Airways, Damania (now Skyline NEPC), East-West and Modiluft – faced innumerable problems. By 1996, in fact, three of the above-named had closed down or suspended services, leaving only Jet and Sahara, which started relatively recently.

Modiluft, set up by S.K. Modi with German airline Lufthansa as collaborator, faced spiralling costs, and no solution seemed in sight. In mid-1996, its fleet had expanded to seven Boeing 737s, of which three were the newer 737-400 model, considered ideal for trunk routes in India. Lufthansa, which was operating the service as well as contracting for rotables (airline spares, crucial for the proper operation of airliner aircraft), refused to continue beyond May 1996, and the matter went into litigation. Modiluft had to suspend service in November 1996, although it then had a maintenance agreement with Malaysian Airlines. Today, S.K. Modi ruefully recalls, "Lufthansa simply didn't put in the cash they kept promising." However, he has put all that behind him, for the case was settled in arbitration in August 1997.

Modi had approached Speedwing, the consultancy arm of British Airways, for an assessment, including due diligence and a business plan for revival. Speedwing appointed a team led by Rex Lezard to carry out the task. The resulting plan was presented to Modiluft in June 1997. An initial agreement for executive support was reached that month, and Lezard was assigned to Modiluft as chief executive officer under an executive supply agreement signed with Speedwing in October. At the end of the year, Modi was able to get FIPB approval for raising up to $50 million in debt to restructure and revive the grounded airline.



UMESH GOSWAMI

Khan plans more airline-related investments in India

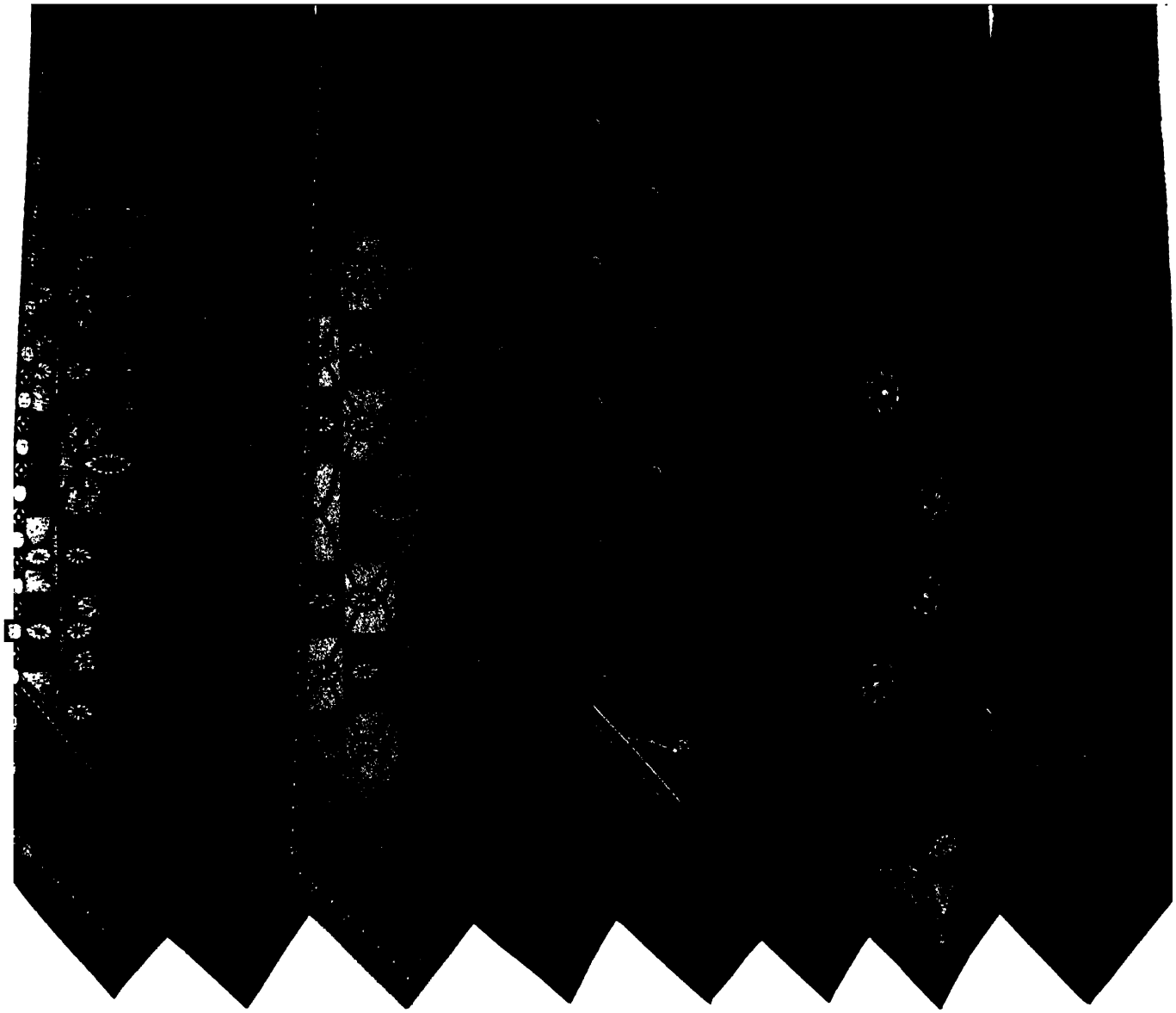
So, while 1997 found Modiluft grounded, with no cash and no aircraft, by the beginning of 1998, it appeared to have a chance. Modi went on a road-show to raise the additional funding. Around February, he was introduced to Canadian financier and turnaround entrepreneur Ajmal Khan, who bluntly told him that his revival plan "had no future". "But I told him to come back, once he was comfortable with a more workable idea," Khan told Modi. That is exactly what happened, for Modi found little support for raising debt in Modiluft the way things stood.

A way out

They sat down together a couple of months later, and Khan listed the pieces that would need to be put in place for a rescue plan to be effective. Among the things that were necessary was a separation of ownership and management. Speedwing was requested to work out an updated business plan, which was ready in June 1998. It called for an injection of $35 million, to be used for acquisition of aircraft, restarting operations and settling debts (not necessarily in that order). The same month, the department of civil aviation issued a 'no objection certificate' enabling Modiluft to import up to five aircraft as required, valid for two years.

Khan then implemented his plan to get funding for Modiluft.. He invested in a Nevada-registered public company, Royal Holding Services Ltd (RHSL), at an estimated cost of around $1 million, through his investment company, Verus Corporation. The company has now made a public offer of shares in a private placement, priced at $1.30 for the first tranche of 11 million shares and $1.50 for the balance 5 million shares, totalling $21.8 million. After deducting the issue costs, this will net RHSL at least $17.5 million. This issue closes on October 31, at which point a minimum of 15 million shares must be sold, but if current market rates, between $2.75 and $3 reported by Bloomberg, are any indication, it is doing well. At any rate, if this keeps up, Khan will have a chance to recover a significant part of his investment.

Whether Khan recovers his immediate investment soon or not is not an issue, he says. "I want to spread future investments from RHSL into airline related investments in India, including hotels, travel and tourism and flight catering." Khan has also had some success in the past three years, investing in Internet companies. He has noted the burgeoning asset creation in Asia.



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Besides India, he sees strong promise in Malaysia.

The new RHSL investors are reasonably secure too, insofar as where their money will not be spent. The issue proceeds are to be held in escrow until the debt is placed, and till the fine details of government approvals for restarting the airline, under the name Royal Airways, have been obtained. That is, it will not be transferred to Modiluft in India until the company is assured of complete funding, no hidden debts and government approval for launch of commercial services.

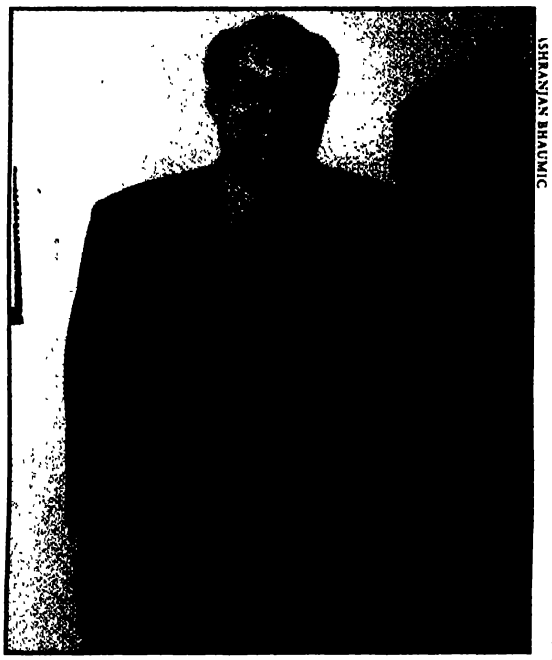
The debt raising proposal was entrusted to Millennium Capital and Khandwala Securities, two Mumbai-based investment banking firms, in March 1999. The funding route works like this: RHSL will invest in Modiluft cumulative redeemable convertible preference shares (CRCPS), which are not available for purchase by Modiluft itself. Each share pays 14 per cent dividend in rupees. The shares convert after three years (in a nine-month period following the third anniversary of the issue) into common stock. They are then redeemed at par (Rs10) mandatorily after five years.

Another $17.5 million is to be raised as secured debt. This will also be held in escrow. The debt will be secured against the future ticket and receivables revenue of the company, with a grace period (moratorium) of two years from restart built into the securitised debt paper (SDP). Concurrent closing of both debt and equity portions are mandated.

If all goes well, the company will be in a position to consider relaunching commercial services after February 2000. Some of the existing creditors have yet to sign agreements for the restructured debt plans, and Indian Oil has actually obtained a winding-up notice from the courts, against its outstanding fuel bills. These matters are in hand, but must be concluded for the revised business plan to be implemented. "Probably around $6 million of the total funding will be spent on retiring this debt," says Khan, adding, this is necessary to avoid further lawsuits. Legal firms Wilde Sapt of the UK and Girish & Dave & Co in India are renegotiating terms with the creditors, concluding the work initiated by Speedwing executives Andrew Gray and Michael Norton.

Markets to marketplaces

Assuming that the money is available, Royal Airways will face the marketplace early next year. In many ways, it is far more a daunting prospect now than when the major competitor was Indian Airlines, not merely because of its size. Today, there has been a levelling of the playing field, with Jet Airways the second largest fleet operator in India, ahead of Air-India. Indian Airlines does not really enjoy the same clout with the government.



SHRANJAN BHAUMIC

Lezard will head the management team at Royal Airlines, neé Modiluft

However, in many ways, the sky remains cloudy. One of the biggest hurdles facing airlines is the lack of decent airports to expand services. For instance, it is barely possible to get parking bays for overnight halts at most airports. Fortunately, Modiluft still has its original five slots at Delhi, hence its service will be centred around a Delhi hub to begin with. In the launch phase, the airline plans to service Mumbai, Calcutta, Chennai, Bangalore, Ahmedabad, Udaipur, Jaipur, Srinagar and Guwahati from Delhi. It intends to build hubs at Mumbai, Chennai and Calcutta later.

Ticketing and ground handling are major investments. The company has contracted the total business to World Network Services, a British Airways subsidiary, in order to gain instant access to a global network. To avoid any possibility of management weakness, ownership and decision-making have been completely compartmentalised. The executive management team, led by Lezard with the support of Robert Hughes, David Ely and John Roussel, all former Speedwing employees who will now join Modiluft (Hughes already has, as CFO; Ely will handle engineering and Roussel marketing), will report to a non-executive board currently headed by Khan. Modi continues as director.

Although employing foreigners may raise some eyebrows, at a maximum of five, this number is far less than the previous management which, at one point, had 36 expats. The airline will initially take on about 850 employees.

The key issue remains whether air traffic will increase to the point that one more airline will be viable in itself. Cut-throat competition may bring short-term benefit to paying passengers, but may result in one or other airline closing operations. Definitely, the total number of flying customers in India is well below that of other industrialised countries, and well below an empirical minimum for such a huge country.

Speedwing estimates an annualised increase in passengers of 8 per cent in the early part of the next decade, to 18.7 million in 2003. However, the actual growth through 1998 was only 2.5 per cent, not 10.5, a staggering 8 per cent below target. If Royal Airways can get going on schedule, it should pick up a market share somewhere between 15 and 17 per cent of the total, starting with over 1.4 million passengers in 2000 and reaching 2.7 million passengers in 2003. Speedwing has worked out a profitability plan based on a passenger load factor of only 56 to 62 per cent, a figure below that held by Modiluft earlier. Royal will also earn revenue from cargo, a segment it targeted once before successfully.

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Tangled lines again

A recent high court judgement has allowed MTNL to go ahead with its mobile service, once again questioning the powers of the regulator

S. Rajagopalan is a man in a hurry. Before his term ends in June next year, the chairman and managing director of Mahanagar Telephone Nigam Ltd (MTNL) wants to secure the company's future leadership against competition by launching new value-added businesses, such as Internet and mobile telephony. MTNL currently operates fixed-line services in Mumbai and Delhi, but soon Rajagopalan wants to provide total telecom services in the two metros, and, government-willing, in some other circles as well. The first step – entering the Internet business – has been painless, but connecting to mobile services has proved a lengthy, controversial process.



Rajagopalan is no mood to be put on hold by TRAI

Last fortnight, Rajagopalan had to rush to the high court to challenge a show-cause notice served on it by the Telecom Regulatory Authority of India (TRAI) on 6 October. The industry watchdog, which had tried to strike down MTNL's mobile licence as early as in February this year on grounds that the government had to seek its recommendation before issuing a licence, had asked MTNL in the notice why it had launched a mobile service without having the tariff approved by the regulator.

Four days before that, on 2 October, MTNL had announced that it would offer a mobile service based on CDMA (Code Division Multiple Access) technology in certain parts of Delhi for the same charge as for its fixed-line calls. The customer would only have to pay a refundable deposit of Rs10,000 for the handset, which MTNL would provide, and the same rental of Rs600 per month, as charged by other mobile operators. TRAI gave MTNL until 20 October to reply before it took action.

Rajagopalan, however, did not wait that long. Rather than dialogue with the TRAI, he sought and obtained a stay order on the TRAI show-cause. He also obtained a caveat, which ensures that the matter cannot be taken to the Supreme Court, without hearing MTNL. The case will be heard on 15 December. "I had no option but to seek the court's intervention," says Rajagopalan. "They (the TRAI) were indirectly trying to tell me I cannot implement the licence unless I got their clearance. They were entering into an area where they have no jurisdiction. Every five-six days they were raising a new issue. Suppose they had delayed me for a year?"

In February, the court had ruled that the TRAI had no jurisdiction over licensing, and the government had no legal obligation to seek TRAI's recommendation to issue a licence. Also, the TRAI cannot give directions to the Department of Telecommunications (DoT) when it is acting in its capacity as a licensor. This, TRAI feels, violates Section 11 (1) a and e of the TRAI Act, which gives the regulator the power to "recommend the need and timing for entry of new service providers", and ensure "compliance of the terms and conditions of the licence", respectively.

The latest court judgement is one in a series of blows to the TRAI. Ever since it was established by an Act of Parliament on 25 January 1997, its powers and functions have been repeatedly challenged. Besides the tangle over the MTNL licence, the TRAI faced opposition from DoT when it tried to implement a tariff revision in May this year. Earlier, in another case (Icnet versus the Union of India), its power to settle disputes between two operators under Section 14 (1) was challenged in court. There, too, the court held that the TRAI had no jurisdiction over the government as a service provider.

The Confederation of Indian Industry (CII) has suggested that the government amend the TRAI Act to clear the ambiguity regarding the powers of the regulator. In a statement, the CII has said that the MTNL case will set a wrong precedent as other operators too will first announce terms to the customer and then ask for TRAI clearance. It is all the more significant as DoT proposes to soon launch mobile services in 10-17 circles throughout the country. If DoT also adopts a similar posture, private operators' projects would surely be rendered unviable, the CII fears.

That is TRAI's real concern. Its aim is not to prevent MTNL from reaching

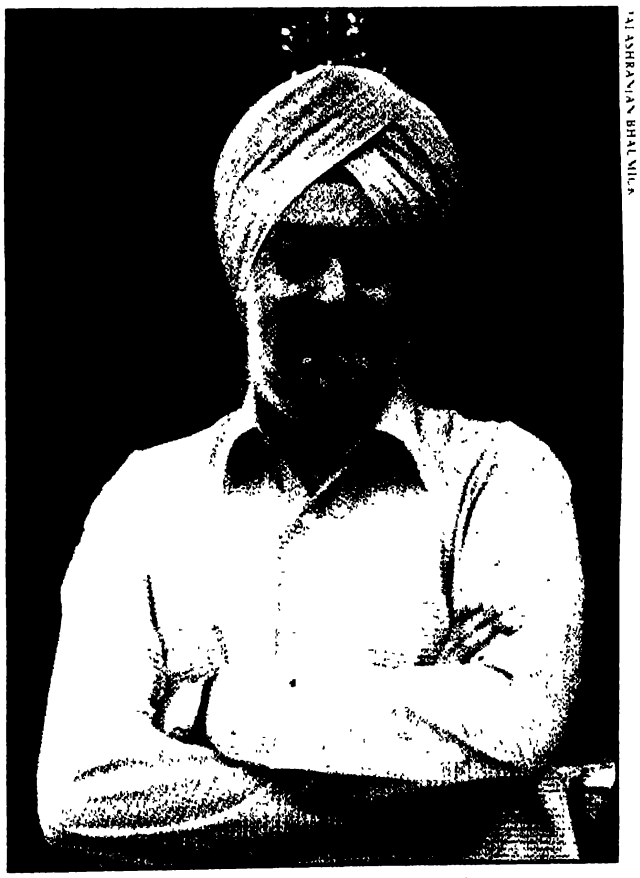
the mobile phone to the masses, says TRAI. All it seeks is to ensure a level playing field among the operators. TRAI is unhappy with the MTNL's proposed call charge, which is Rs1.40 for three minutes. In addition, there is no charge for receiving a call, just as it is for a fixed line. This has happened even before incoming calls on mobile phones become free from 1 November, as per the TRAI stipulation. The TRAI feels this is predatory pricing as it is far less than the TRAI-suggested standard tariff of Rs4 per minute, which most operators follow. MTNL can afford to charge such prices only because of its flexibility to subsidise mobile calls with its basic revenues. Cellular operators, almost all of them reeling under heavy losses as they try to generate licence fees, have no such option. MTNL's low-cost service, therefore, could again put some of them in a financial quandary, the TRAI says.

To prove its case, the TRAI released a consultation paper on 12 October, which detailed the reasons for its objection. The paper says that MTNL has not specified interconnection charges it would pay to other basic or mobile operators if and when a call from its CDMA network is made to the other operator's network. Nor has it informed customers if it would levy an additional charge in such cases. According to the TRAI stipulation, an interconnect fee of Rs1.20 for three minutes has to be paid if a mobile call terminates at a basic network. If the call is made to another mobile network, Rs1.60 would have to be paid for the first minute and 80 paise every subsequent minute.

The first instance would leave MTNL with just 20 paise to cover its costs. That, feels TRAI, does not seem feasible. In the second instance, the interconnect fees would exceed MTNL's cost. The estimates are based on the fact that MTNL has said it is investing Rs16 crore to serve 9,000 lines initially, which works out to a weighted average capital expenditure of about Rs18,000 per subscriber. Also, the government has not indicated a specific entry fee for MTNL, though the New Telecom Policy 1999 states that new entrants will be charged an entry fee. "It seems clear that MTNL would subsidise its costs from its basic services," says TRAI chairman Justice S.S. Sodhi.

Not true, says Rajagopalan. He points out that the actual cost of equipment is quite low and works out to Rs26,000 per line. This he proposes to recover in 26 months flat, after meeting all costs, including interconnect and other charges. According to his calculation, all he needs to recover from a subscriber is Rs400 every month towards local call charges. So, the Rs400, plus the monthly rental fee of Rs600 would ensure Rs1,000 per month per subscriber. According to MTNL's licence conditions, all long distance call charges will have to be paid in full to DoT. MTNL will also have to pay 15 per cent of its revenues to DoT as licence fees. Even then, by the third year, MTNL would be able to make money from the CDMA service, feels Rajagopalan.

TRAI's allegation of cost subsidisation is another myth, says Rajagopalan. The government has stipulated that MTNL would have to maintain separate accounts for its mobile service, so the question of subsidy would not arise. "I have to answer my shareholders," says Rajagopalan. "Why would they tolerate a service if it loses money?" Technical experts, however, feel that such separation for an entity such as MTNL could prove difficult and would not always be accurate as there would invariably be some amount of overlap between its basic and mobile service revenues.



PRABHAKAR BHALERAO

Sodhi is crying foul at MTNL's 'predatory pricing'

Rajagopalan, however, plans to solve the problem soon by launching a subsidiary to which he will divest one by one MTNL's value-added services. Millennium Telecom will be launched soon with an initial equity of Rs50 crore, and registered in Mumbai. First to be divested would be the Internet service.

Meanwhile, Rajagopalan is now all set to resume the service, dubbed "the common man's mobile phone" by 18 October. On the day it was announced, the service received an overwhelming response, with more than 10,000 people queuing up for the initial 1,000 lines on offer. MTNL issued 994 connections before it was forced to suspend its operations, having run out of registration forms. "Honestly, we never thought there would be such a demand," says Rajagopalan. "We will meet the people's expectations." After CDMA, MTNL plans to launch a full-fledged GSM-based service by March next year. Will that lead to another round of litigation?

INDRANIL GHOSH

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CHETAN PARIKH

The author is director of Jeetay Investments Private Limited, an investment advisory firm.

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The mathematics of fear

Down the ages, risk-taking has been a test of character. More accomplished risk-takers cope better in peril-filled environments

Greek legend describes Ate, the force of fate, extinguishing the fire of overweening ambition by punishing those extraordinary mortals that were afflicted by it. To tempt fate, to presume the future, to dare too much, eventually invited the wrath of the gods. The Roman goddess of chance, Fortuna, determined every throw of the dice — or so it was believed.

Renaissance mathematicians like Paccioli, Cardano, Pascal, and Fermat attempted to compute risk. But, as G.H. Hardy observed in his book *A Mathematician's Apology*, "The mathematician's patterns, like the painter's or the poet's, must be beautiful; the ideas, like the colours or the words, must fit together in a humorous way. Beauty is the first test: there is no permanent place in the world for ugly mathematics."

Yet the human emotions of fear, greed, and pride were not forgotten in the sterile world of the calculus of probabilities. Jacob Bernoulli asked in 1710: "Who can pretend to have penetrated so deeply into the nature of the human mind or the wonderful structure of the body (on which) games depend that he could venture to predict when this or that player would win or lose?" The pounding of the heart when assessing risk was well described by John Maynard Keynes in his *Treatise on Probability*: "There is little likelihood of our discovering a method of recognising particular probabilities, without any assistance whatever from intuition or direct judgment."

Psychologist Amos Tversky, after a number of laboratory experiments, concluded that in daily living, people are more concerned about losses than gains when taking risks — whether of careers, marriages, or the stockmarket. That is, fear normally predominates — "People are much more sensitive to negative than to positive stimuli... There are a few things that would make you feel better, but the number of things that could make you feel worse is unbounded." When considering possibilities, risk-taking has a negative bias; when confronting the unknown, the human psychology of risk-taking focuses normally on what might be lost.

Risk has no memory, no history in which one event leads to and shapes the next — inherent therefore in risk is a regression to the mean. Peter Bernstein, in his *Against the Gods*, wrote: "We pay excessive attention to low-probability events accompanied by high drama and overlook events that happen in routine fashion... as a result, we forget about regression to the mean, overstay our positions, and end up in trouble."

In today's networked, "winner-takes-all" world, economists Robert Frank and Philip Cook comment that the "pay-off structure (of the modern economy) has led too many (individuals) to abandon productive alternatives in pursuit of the top prizes". In his classic *The Wealth of Nations*, Adam Smith wrote of the "overweening conceit which the greater part of men have of their abilities... the chance of gain is by every man more or less overvalued, and the chance of loss is by most men undervalued".

So how does fear coexist with risk-taking? Down the ages, risk has been a test of character — the point is to make the effort, to take the chance, even if a person knows rationally that he is doomed to fail.

In a recent issue of *Time* magazine (20 September 1999) on why Americans are seeking risk as never before, it was mentioned: "An even more fundamental question is, Why should a thrill-seeking gene arise in the first place? Evolutionary psychologists, who seek explanations for the origins of human idiosyncrasies in our remote past, have some intriguing theories. John Tooby, who with his wife Leda Cosmides runs the Center for Evolutionary Psychology at the University of California at Santa Barbara, evokes the time of our hunter-gatherer ancestors tens of thousands of years ago. 'Your world was risky then,' he says. 'You were confronted with constant cries — maybe an ambush by a lion or by a rival group of people, perhaps a natural disaster like earthquake or volcanic eruption. To survive, all your physical and mental faculties had to operate correctly.' Some hunter-gatherers were obviously better at coping with that peril-filled environment than others — most likely, says Tooby, because they were more accomplished risk-takers.

Humans are different from other animals when putting themselves intentionally in peril, of not letting their "rabbit's eyes dwell on the fox's paws". •

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PRESENTS

XII ANNUAL CONVENTION

ON

INDIAN CAPITAL MARKET : AGENDA 2000

at

LE MERIDIEN, NEW DELHI

ON OCTOBER 30, 1999

KEYNOTE ADDRESS BY:

Mr. Birendra Kumar, MD, SBI Caps

INAUGURATION BY:

Mr. P.V. Narsimhan, CMD, IFCI

FIRST TECHNICAL SESSION

Financial Derivatives : Emerging Scenario

Chairperson : Mr. L.K. Singhvi – Sr. ED, SEBI

Mr. Mukund Santhanam, Head – Derivative Sales (India)

SPEAKERS :

Mr. Subir Biswas – Country Treasurer, ABN Amro Bank

Mr. Suresh Prabhu – VP, Treasury, Times Bank

Mr. Anindya Dutta – VP, FX & Interest Rate Derivatives, Credit Lyonnais

Mr. Ashish Kr. Chauhan – VP, National Stock Exchange

SECOND TECHNICAL SESSION

Mutual Funds : A Renewed Confidence

Chairperson : Mr.Niamatullah – MD,SBI Funds Mgmt.

SPEAKERS :

Mr. S.K.Basu – Executive Director, UTI

Mr. Shitin Desai – Vice Chairman & MD, DSP Merrill Lynch

Mr. Shekhar Sathe – CEO, Kotak Mahindra AMC

Mr. Ajay Srinivasan – MD, Prudential ICICI AMC

Mr. Sunil Joseph – President, Dundee Mutual Fund

PROGRAMME:

Inaugural Session	:	9.00 a.m. - 10.30 a.m.
Tea	:	10.30 a.m. - 11.00 a.m.
First Technical Session	:	11.00 a.m. - 1.00 p.m.
Lunch	:	1.00 p.m. - 2.00 p.m.
Second Technical Session	:	2.00 p.m. - 4.30 p.m.
Tea	:	4.30 p.m. - 5.00 p.m

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"Go for turnaround stock"

Vibhav Kapoor is a pastmaster at stock-picking. He once was the blue-eyed boy of M.J. Pherwani. Today, with Infrastructure Leasing & Financial Services, he is seen as instrumental in the company's making profits out of treasury operations. But he says it's "teamwork" that has got IL&FS where it is. Kapoor, managing director of IL&FS Asset Management Company, is cashing in on the revival in investor sentiment towards mutual funds by floating an open-ended one. This pure equity fund is expected to rake in around Rs25 crore with an additional Rs50 crore being put in by IL&FS. Kapoor spoke to **Roy Pinto** about his strategies and his view of the stockmarket



Q *At a time when balanced funds (equity and debt) are the fad, why have you chosen a pure equity fund?*

A Ours is a growth and value fund. In our PMS scheme we have performed well, hence we thought we should extend our expertise to the mutual fund. As for the debt portion, we have floated a bond fund with an initial corpus of Rs48 crore which is fetching a decent yield.

Q *How is your fund different from others?*

A We are the first to allow investors in our fund to fix a time limit on their investment right at the beginning. For example, if an investor has fixed an annual return of, say, 50 per cent, the moment the expected returns are achieved he has the option to cash out. By doing so we have showed that the investor interest remains prime. Also, our investment philosophy will be focused and stock-specific. We will stay away from market movements and try to identify growth stocks early rather than join the euphoria. We want to remain invested in good companies and good managements. Then, irrespective of what happens to the industry, your portfolio appreciates or is less hit.

Q *What are your views on the stockmarket?*

A I'm very bullish on the market and software continues to be my favourite. Though valuations here may look overstretched, in the long term I fancy stocks such as NIIT and PSI Data. With evident signs of a turnaround in the economy, the cement industry holds promise. Here our strategy would be that, if an industry is turning around, we would look at large companies — Gujarat Ambuja Cement, L&T, and Grasim, for example. The other industries where things have begun to look up are petrochemicals and metals. In steel there may be a lag, but power equipment is looking up. Industries such as petrochem and metals are largely driven by the happenings in the international markets. One sees signs of recovery in Japan, and Europe is doing well. I guess the cycle is bottoming out and things should improve. If Japan recovers in a big way, steel stocks will go up. Petrochem and metals, particularly non-ferrous, like aluminium, are worth a watch. It's always better to take a short-term view on such sectors because of international repercussions. •

NEW ISSUE

Syndicate Bank

This Manipal-based public-sector bank's Rs125 crore-equity issue at Rs10 each is slated to open on 25 October, 1999, both for Indian public including NRIs and overseas-corporate bodies on a non-repatriation basis. The Rs125 crore will increase the bank's paid-up capital from Rs346.97 crore to Rs471.97 crore and bring down the government's stake to 73.51 per cent.

Is this issue worth subscribing to? For one, the risk is minimal as it is a par issue. Secondly, the bank has cleaned up its balance sheet before tapping the primary market. The bank adjusted accumulated losses of Rs942.62 crore by setting off the same with the paid-up capital in March 1998. Even the performance has not been too bad. The operating profits of the bank increased by 37.42 per cent to Rs186 crore and the net profit went up by 73 per cent to Rs142.58 crore in 1998-99. The non-performing assets (NPAs) are down to 3.93 per cent from 5.80 per cent.

It's not that the bank performed well just during the last year. The introduction of prudential norms by the Reserve Bank of India in the 1990s saw the bank's balance sheet turning red. The bank, which reported a net loss of Rs92 crore in 1994-95 turned the corner in 1995-96 and has been steadily improving its performance from that year onwards.

However, there are some observations in the balance sheet. The bank's employees and ex-employees and some of the customers have slapped over 1,800 writ petitions against the bank aggregating a claim of Rs29.58 crore. Though Syndicate Bank has acknowledged in the offer-document that some of these cases may create contingent liability, it has made provisions only to the extent of Rs19.27 crore as a "matter of abundant precaution". Similarly, the bank had contingent liabilities of Rs6,480 crore comprising claims against it. However, the offer-document defends this by stating that these contingent liabilities have arisen in the normal course of the business and are subject to the prudential norms as prescribed by the RBI.

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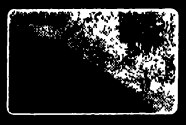
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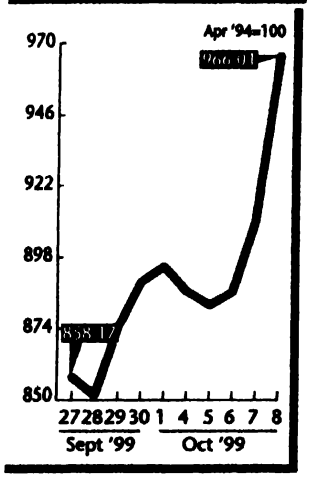
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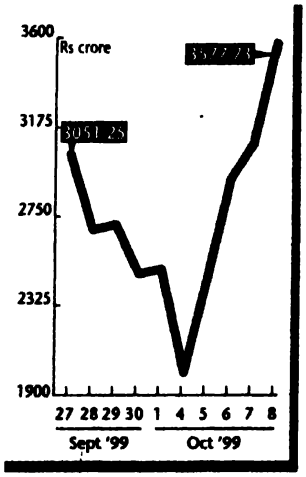
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Equities

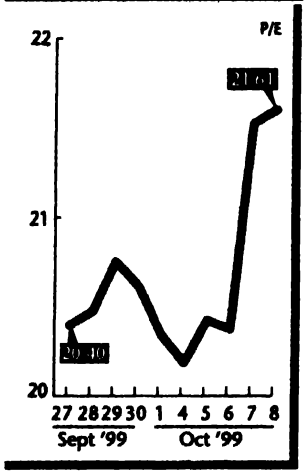
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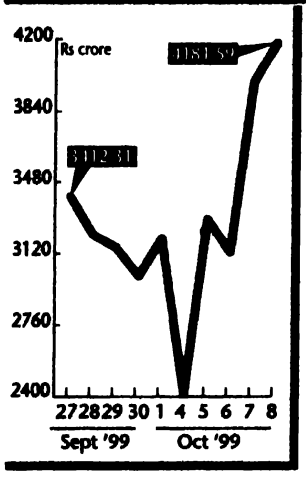
BSE-Volumes



Sensex P/E



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-8 Oct Rs	2-week % change	52-week High/Low
Baush & Lomb (India)	124.50	-19.21	188/70
Caprihans India	42.00	-16.6	59/13
Mafatlal Industries	34.00	-15.95	84/34
Saurashtra Cement	28.00	-15.15	49/18
Marico Industries	415.00	-13.36	769/282
Trent	189.90	-13.05	292/63
Tata Investment Corp.	124.00	-12.71	167/95
Tata Donelley	330.00	-12.40	390/148
Indo Gulf Corporation	71.00	-12.35	93/18
Herbertsons	72.00	-12.20	89/44

S&P CNX 500 -Best Performing Stocks

Company	Price-8 Oct Rs	2-week % change	52-week High/Low
Torrent Pharmaceuticals	627.55	79.45	628/65
Orchid Chemicals & Pharm.	315.80	73.52	320/93
Forbes Gokak	98.00	60.66	103/41
Fujitsu ICIM	777.60	56.63	778/71
Ipca Laboratories	270.45	52.80	270/97
Lupin Laboratories	299.55	50.94	300/95
ITI	40.25	45.57	41/8
Tata Finance	85.75	44.97	90/26
Coates of India	237.50	43.94	242/65
IG Petrochemicals	22.00	41.94	23/5

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price- 8 Oct Rs	2-week % change
Reliance Industries	154.54	241.50	15.52
SBI	51.67	251.15	18.05
Silverline Industries	47.53	446.05	26.04
Rolta India	30.78	172.55	15.42
SAIL	28.87	11.75	55.63
Tisco	28.55	158.75	11.05
Ranbaxy Laboratories	28.51	1165.35	10.36
Satyam Computer Services	26.76	1313.00	23.17
Global Tele-Systems	25.42	612.75	11.61
ACC	25.32	218.00	5.83

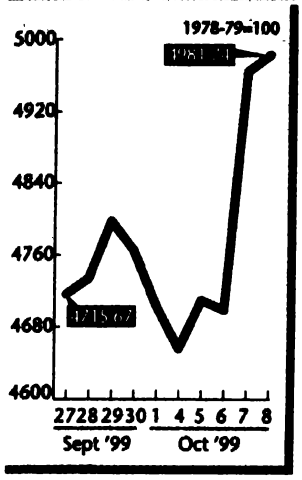
S&P CNX 500 -Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price- 8 Oct Rs	2-Week % change
Hindustan Lever	55780.75	2500.00	-2.50
Wipro	31427.19	1460.00	1.08
Infosys	24678.81	8200.00	7.20
Reliance Industries	21933.31	241.50	15.52
ITC	20321.95	859.20	-1.92
Ranbaxy	12246.59	1165.35	10.36
MTNL	11794.23	201.90	7.39
SBI	11526.23	251.15	18.05
NIIT	10853.47	3166.70	11.70
VSNL	10064.25	1099.95	6.28

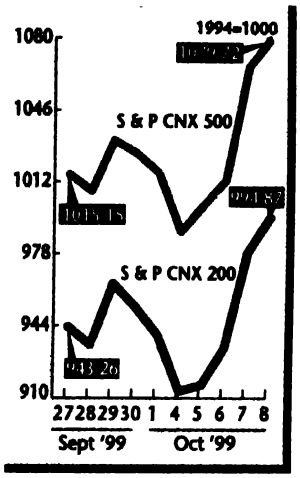
Source: India Index Services and Products

Indicators for fortnight ended 10 September 1999 — Equities

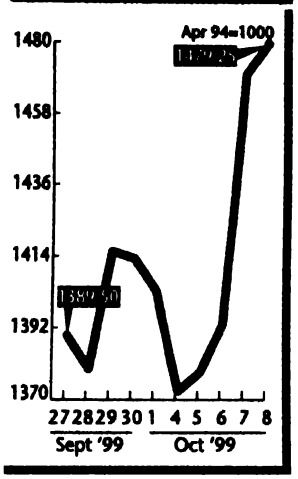
BSE-Sensex



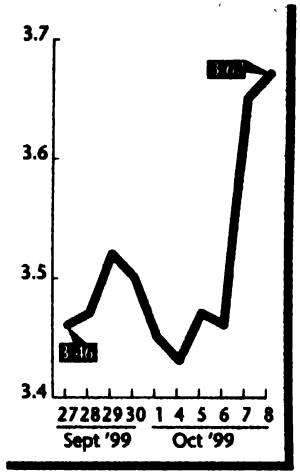
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 - Best Performing Industries

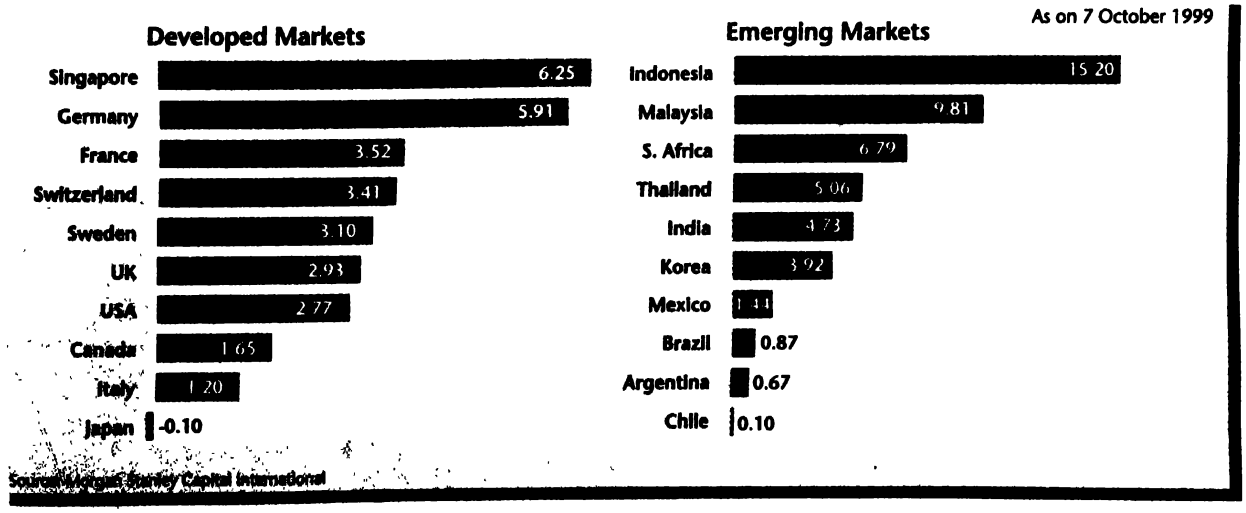
Industry Name	2-week % change	Yearly % change
Transmission towers	36.49	160.87
Steel & steel products	24.97	80.11
Textiles- cotton	14.88	33.41
Computers- hardware	14.34	295.09
Banks	13.78	39.33
Gems, jewellery & watches	13.44	116.74
Electronics- industrial	12.89	126.74
Petrochemicals	12.63	119.97
Tea & coffee	12.11	105.06
Compressors/ pumps	11.95	26.94

S&P CNX 500 - Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Oil exploration	-10.02	-12.98
Pollution control equipment	-8.50	-3.57
Chemicals- speciality	-7.27	11.73
Financial institution	-6.59	29.95
Solvent extraction	-6.08	50.25
Pesticides & agrochemicals	-4.66	51.78
Personal care	-4.64	76.46
Food & food processing	-4.25	61.91
Printing & publishing	-4.15	252.78
Leather & leather products	-4.07	-32.10

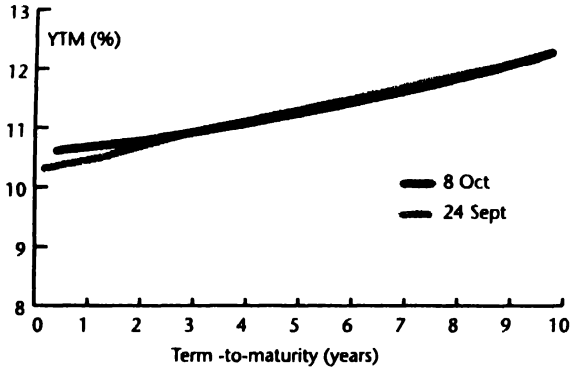
Monthly change in world stock indices

As on 7 October 1999

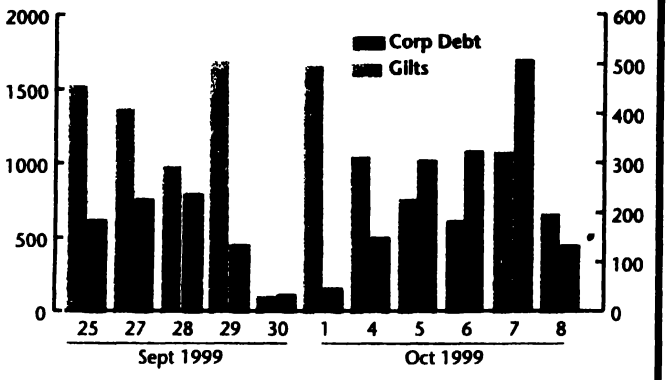


De

Sovereign yield curve



Daily volumes



Gilts include dated secur ties, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	9.90	10.26	Call ruled high on tight liquidity early in the period.
Treasury Bills[2]	8.63/9.48/10.35	8.63/9.48/10.35	Yields were maintained with RBI taking devolvement.
Bonds (AAA)[3]	12.25-12.50	12.0-12.5	Bond issuance picked up.
Debentures (AAA)[4]	12.50-13.00	12.0-12.6	Subdued activity witnessed.
ICDs[5] (Grade A)	10.50-12.00	11.25-11.75	Lack of active interest.
CPs[6] (P1+)	10.50-11.00	10.15-10.25	Corporates raised funds at 10.50%.
PLRs[7]	12.00	12.00	Credit pick-up was strong in the last fortnight.

1.Call money is fortnightly average rate; 2: Treasury bills (TBs) are cut-off yields on 14-day TBs, 91-day TBs and 364-day TBs at auctions; 3: Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5. Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market; 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* Sep 25-Oct 7 # Sept 14-24

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
MRPL	NCD	100	2002	LA+	14.56
Tisco	NCDs	100	2006	AA+	14.22

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
Tisco	AA+	Bonds/ 12.60	150	8
MJP	–	Bonds/ PF+2/13.25/ 13.5/13.5	250	10/7/10/10
PSEB	–	Bonds/ 13.50	100+150	7

Snapshot

The debt market witnessed greater activity last fortnight but the sentiment was weak. Tight liquidity conditions coupled with continued issuance of dated securities by RBI kept prices weak. Call rates were moving up and spurted to near 12% levels before falling marginaly. The SBICAP-SYC moved up at the short end while the medium to long end was largely steady. Prices had firmed early in the fortnight before losing on the auction announcement. Auction yields on TBs were steady with most stock devolving on the RBI. The election outcome and the change in outlook to positive by Moody's did not cause a rally. The market is anticipating rate cuts in the policy to be announced later this month. Fulfillment of expectations could cause the interest rate structure to move lower in this month.

Source: **SBICAP**; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

Business India-Credence: Mutual Fund Performance
Balanced Schemes

TOP 10

If Rs 10 000 was invested in each of these schemes on 1st October 1998, it is worth...

Scheme	Fund	NAV based Rs	% change	Price based Rs	% change	Risk grade	Issue date	Maturity date
1 Alliance 95 Fund (Div)	Alliance Capital MF	19855	98.55	19375	93.75	I	25-Jan-1995	Open-Ended
2 Alliance 95 Fund (Growth)	Alliance Capital MF	19852	98.52	19404	94.04	III	25-Jan-1995	Open-Ended
3 Zurich India Prudence (Gr)	Zurich India MF	17935	79.35	13608	36.08	II	29-Jan-1994	Open-Ended
4 Zurich India Prudence (Div)	Zurich India MF	17671	76.71	NA	NA	I	29-Jan-1994	Open-Ended
5 Magnum Open-End Fund '95	SBI MF	17200	72.00	16859	68.59	I	30-Sep-1995	Open-Ended
6 Candouble	Canbank MF	15194	51.94	NA	NA	IV	17-Feb-1990	15-Feb-2000
7 Unit Scheme 1995	UTI	15079	50.79	15008	50.08	II	01-Jan-1995	Open-Ended
8 Canstock	Canbank MF	14664	46.64	NA	NA	V	21-Jan-1988	31-Jan-2000
9 KP Vista (Div)	Kothari Pioneer MF	14469	44.69	14469	44.69	I	29-Jun-1998	Open-Ended
10 KP Vista (Growth)	Kothari Pioneer MF	14469	44.69	14469	44.69	I	29-Jun-1998	Open-Ended

BOTTOM 10

31 Dhanavarsha (10) (Cum)	LIC MF	11398	13.98	NA	NA	I	15-May-1998	31-May-2003
32 GCGIP 94 (Div)	UTI	11379	13.79	NA	NA	I	28-Apr-1994	30-Jun-2004
33 GCGIP 94 (Cum)	UTI	11379	13.79	NA	NA	I	28-Apr-1994	30-Jun-2004
34 Dhanavarsha (11) (Cum)	LIC MF	11314	13.14	NA	NA	I	20-Feb-1998	28-Feb-2003
35 Dhanavarsha (7) (Cum)	LIC MF	11273	12.73	NA	NA	I	22-Jan-1996	31-Mar-2002
36 Dhanavarsha (2) (Cum)	LIC MF	11199	11.99	NA	NA	I	01-Jul-1996	01-Jul-2001
37 Dhanasahayog C (Growth)	LIC MF	11106	11.06	10825	8.25	III	01-Jan-1991	Open-Ended
38 IISFUS '95	UTI	10955	9.55	NA	NA	I	21-Aug-1995	31-Aug-2000
39 GIC Balanced Fund	GIC MF	10806	8.06	10479	4.79	II	23-Jan-1993	31-Mar-2000
40 GIC RISE 91 A (Growth)	GIC MF	9918	-0.82	13188	31.88	V	30-Mar-1991	31-Mar-2001

Median Return-Peer Group	12396	23.96	12415	24.51
S&P CNX 500 & I-Sec I-Bex Total Return (60:40)		32.65		
BSE Sensex & I-Sec I-Bex Total Return (60:40)		42.21		
BSE Natex & I-Sec I-Bex Total Return (60:40)		38.89		

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all short-listed schemes.

COMMENTS

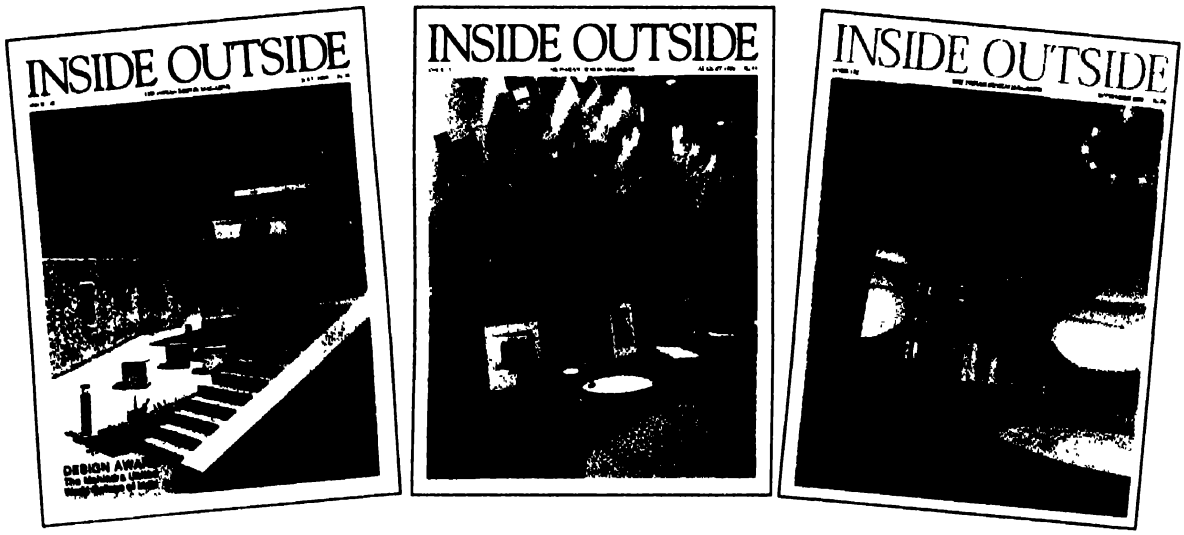
Overall the shortlisted balanced schemes have under-performed the benchmark, the composite benchmark of S&P CNX 500& I-Sec Bond Total Return Index. The annual median return of these balanced schemes has appreciated by 23.96% versus 32.65% in the composite index. Among the shortlisted schemes, 11 schemes have out-performed all the three indices.

The present rally has been narrow, as BSE Sensex has outperformed the S&P CNX 500. However the stocks in the defensive sectors, information technologies and media and entertainment continued to appreciate ignoring bearish news of political unstability and possibility of a hike in the price of oil. Funds having exposure to these stocks have witnessed growth.
The investment performance, however is not uniform across the schemes with top 5 schemes generating an annual return more than positive 70%, while the bottom 4 schemes appreciated by less than 10%.

In comparison with the last mutual fund ranking (as on August 20th, 1999) on balanced schemes, KP Vista (Div. & Gr. option) from Kothari Pioneer MF have been added to the top 10 rank while Tata Twin Option (Balanced) from Tata MF & Canganga of Canbank MF has dropped out of the list.

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OCTOBER 1999
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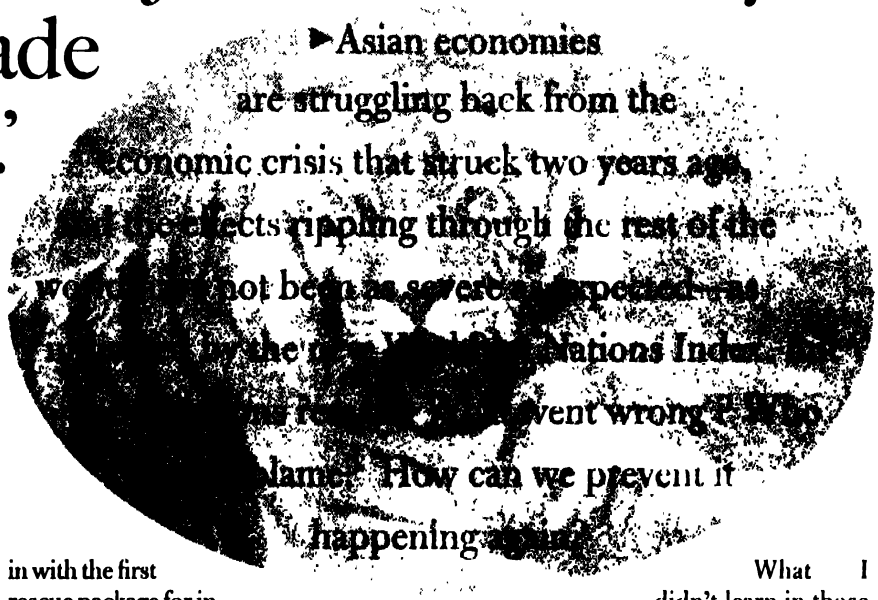
THE WORLDPAPER

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Who was to blame for the Asian crisis?

'J' accuse the IMF and the World Bank: They slept on the job, and when they woke they made things worse.'



By Amitabha Chowdhury

REPORTING FROM HONG KONG

WATCHING THE 1988 CRISIS sweep across Southeast Asia, tearing up its once-booming economies, was a great learning process. Learning not about the domestic architects of the great growth; they have been universally blamed, even ridiculed, for deviationist follies and megalomania, and heaped with debt to Western and Japanese banks.

The learning has been about the overseas architects of the Asian Miracle, the International Monetary Fund and the World Bank, which held out Korea and S.E.Asia as textbook cases of success. The crisis taught us how to grade these development engineers who, as everyone knows, designed the basic layout of the growth economies, and who, moreover, kept sending inspectors to the site.

All through the 80s the Bank's favorite phrase was "structural reform." Those were the Reagan-Thatcherite years, and the international architects were followed to all the construction sites, including China, by a pack of international bankers. Whenever anything goes wrong, whether it's in Brazil, Mexico, or Asia, the IMF flies in with the first rescue package for international investors.

Writing like this ten or 20 years ago, I would have been ashamed. It would have sounded neo-Marxist. I would have blamed myself for being biased against the good work that free international flows of capital could do. I spent 1975-93 writing about those countries that were credited with being the Third World's first successful entrants in the Global Economy. I edited Asia's first financial journal when it was easy to convince oneself that the massive engine of growth would never slow down. We financial writers all believed that the boom, admittedly infested by brokers, cronies, and graft takers, had enough real stuff to continue, maybe with a few hiccups and corrections.

What I didn't learn in those years, I had to learn when, like houses of cards, the markets in Korea, Thailand, Malaysia, and Indonesia, all good pupils of the Bank and the IMF, collapsed in two months.

Whose fault was it? We believed the data the Bank provided. And even if we had said, "This is a mirage," they, the IMF and the national finance ministers, had chapter and verse to quote against us. We would have been howled down.

I have known personally at least three dozen of the founding captains of Asia's conglomerates, and was impressed, even charmed, by these hardworking, innovative, simple living builders—the Mochtar Riadys and the Lee Ka Shings.

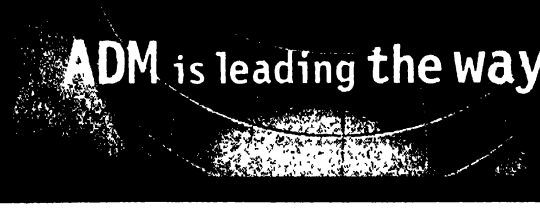
►**J'ACCUSE** INSIDE

Table for ten billion?

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The nightmare is over

Curiously, the patient is doing better than expected

By Carlos Castilho

REPORTING FROM BRAZIL

BRAZIL IS IN A CURIOUS situation. Experts say that after the exchange rate earthquake in January, the economic nightmare is over, but people on the street say they are cheating. Economists proudly exhibit statistics showing a slow but steady recovery. However, businessmen are wary and often release different numbers and trends.

Nobody knows for sure if there is a bright light at the end of the economic tunnel, but one thing seems to be indisputable: the doomsday forecasts last January by many experts, both national and foreign, did not materialize. Fernando Verissimo, a sort of Brazilian Art Buchwald, wrote recently in his syndicated column: "A stable economy is still a distant goal for Brazilians, but they have already won the battle against economists."

When the real (the Brazilian currency) crashed against the US dollar, after almost five years of stability, foreign observers used expressions like meltdown, implosion and currency tragedy. The forecasts were extremely negative. Inflation was expected to be between the 25 percent forecast by Brazilian banks and the 50 percent suggested by *Business Week*. Interest rates were expected to skyrocket and the financial markets were pessimistic about the value of the real.

Almost everybody was forecasting a catastrophic recession. Six months later, the scenario is almost unbelievable. Inflation is now estimated to be no more than 10 percent this year. Recession forecasts are parked at around 3 percent a year, half the panic-provoked estimates in January. The real climbed to 2.2 for each US dollar in late January, but recovered to 1.6 and is now stable at around 1.8.

Foreign investors who flew out of the country at a pace of $2 billion a day in January are now coming back. In January there were $12 billion dollars invested by foreigners in stocks on the São Paulo exchange, the most active in the country. Now, private banks and financial experts say the $12 billion are back and a further $5 billion are expected to arrive this year.

A stable economy is still a distant goal for Brazilians, but they have already won the battle against economists

At the peak of the real crisis, Jeffrey Sachs, at Harvard University, foresaw unemployment rising to 15 percent, almost twice the rate in the first quarter of 1999, and the highest rate since 1982. But, in July, against all odds, Brazilian corporations, for the first time this year, hired more workers than they fired. Professor Lauro Ramos, the most respected Brazilian expert on employment, says: "It's very likely that two million new job positions will be open in industrial areas by December."

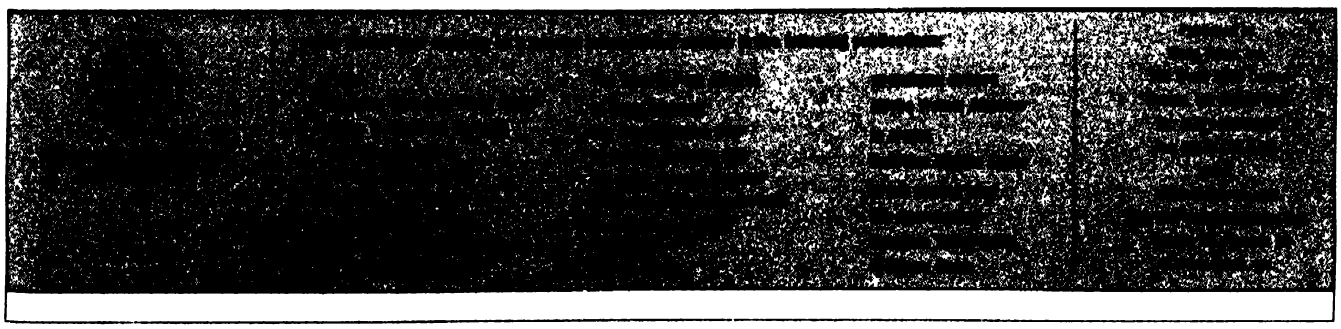
Foreign banks have dramatically revised their projections for the Brazilian economy in the next six month. The 1999 recession, previously estimated to produce negative growth of 3 to 4 percent is now projected to produce less than minus1 percent.

Why are expectations about Brazil changing so fast? Were Brazilians and foreign experts too pessimistic in January? Was the recovery strategy smarter than the ones developed in Asia, Russia and Mexico?

The first two questions are easy to answer. Obviously the economic gurus were wrong and grossly exaggerated the consequences of the real devaluation. The explanation in part may be that because Brazil has a poor record for economic prediction, it is safer for foreigners to expect the worst than to be optimistic .The January exchange crisis had been expected for months. Key economic operators knew that the real was 25 to 30 percent overvalued against the dollar, and that an exchange rate adjustment was inevitable after the Presidential election in October, 1998. When this finally happened the insiders were not taken by surprise.

The differing reactions to the crisis were just the result of differing strategies. Some waited too long and lost. Others were luckier, among them the private banks (both national and foreign subsidiaries) which together netted in Janu-

▶ BETTER NEXT PAGE



BETTER

Continued from previous page

ary $1.7 billion, almost twice their global profits during 1998.

The gradual recovery seems to be the result of a combination of factors, which do not include luck and smartness, according economist Jose Marcio Camargo, from the Catholic University of Rio de Janeiro, the most important economic think tank in the country: "The government didn't panic in first place. Secondly, the dollar reserves in the Brazilian Central Bank prevented a financial stampede. Thirdly, and may be the most important of all factors, was the strategic position of the Brazilian economy in South America."

Even when poverty is spreading fast, Brazil's domestic market of 100 million consumers is big enough to attract investors. The industrial sector is bigger than that of all other South American countries put together. Another element was the strategic position of Brazil as the economic locomotive of the Southern Cone Common Market (Mercosur). When Brazil sneezes, Argentine, Uruguay and Paraguay get pneumonia.

But none of these factors could have triggered the recovery if three other elements had not been in place: the huge informal economy, an unexpected toleration of hardship, and a growing political apathy.

The underground economy guarantees the survival of at least 12 million people, one fourth of the active population. Counting only non-criminal activities, the value of informal activities is estimated to be the equivalent of eight percent of the Gross Domestic Product. So when the real was devalued, raising both prices and unemployment, the informal economy provided a sort of social safety net, mainly for the poorest

At the same time, the middle class began to detach itself from politicians and bureaucrats, as a sort of protection against further disillusionment. A July opinion poll by Vox Populi, showed that almost half of the population is too focused on its own affairs to pay attention to the government and political promises.

Experts say that the signs of the economic recovery are still too weak to guarantee it will continue, but people on the street don't expect much from politicians, or from economists. "Just stay out of our way and we will find the light at the end of the tunnel," said a 45 year-old civil engineer in Rio de Janeiro, now an informal worker driving a cab, and both jobless and angry. ❶

CARLOS CASTILHO IS A FREELANCE WRITER IN BRAZIL AND A *WorldPaper* ASSOCIATE EDITOR.

WEALTH OF NATIONS TRIANGLE INDEX OF 41 EMERGING ECONOMIES

RANK SEPTEMBER 1999	COUNTRY	CHANGE SINCE APRIL 1999	ECONOMIC ENVIRONMENT Score	(Rank)	INFORMATION EXCHANGE Score	(Rank)	SOCIAL ENVIRONMENT Score	(Rank)	TOTAL SCORE
1	Israel		494	(12)	532	(1)	603	(9)	1629
2	South Korea	▲1	564	(2)	480	(2)	582	(16)	1626
3	Czech Republic	▲1	523	(5)	409	(5)	693	(1)	1625
4	Taiwan	▼3	595	(1)	448	(3)	554	(23)	1597
5	Hungary		438	(26)	416	(4)	665	(2)	1519
6	Poland		516	(8)	308	(9)	644	(4)	1468
7	Malaysia	▲1	556	(3)	316	(7)	591	(14)	1463
8	Chile	▼1	547	(4)	296	(11)	612	(6)	1455
9	Costa Rica		494	(12)	284	(13)	627	(5)	1405
10	Argentina		475	(15)	324	(6)	602	(10)	1401
11	Uruguay		440	(25)	306	(10)	653	(3)	1399
12	Mexico	▲2	474	(16)	278	(14)	596	(12)	1348
13	Venezuela		446	(24)	296	(11)	601	(13)	1343
14	Panama	▼2	495	(10)	229	(21)	585	(15)	1309
15	Thailand	▲1	520	(7)	223	(24)	566	(19)	1309
16	South Africa	▼1	476	(14)	241	(18)	580	(17)	1297
17	Brazil		448	(22)	310	(8)	532	(27)	1290
18	Tunisia	▲1	461	(20)	182	(31)	607	(7)	1250
19	China	▲4	523	(5)	227	(22)	478	(37)	1228
20	Turkey		425	(29)	274	(15)	527	(28)	1226
21	Egypt	▲1	495	(10)	185	(34)	565	(20)	1225
22	Ecuador	▼1	400	(33)	230	(20)	593	(13)	1223
23	Philippines	▲4	502	(9)	198	(27)	503	(32)	1203
24	Jordan	▼6	473	(17)	164	(35)	559	(21)	1196
25	Russia	▼1	423	(30)	247	(16)	520	(30)	1190
26	India	▼1	458	(21)	187	(30)	537	(26)	1182
27	Colombia	▲2	383	(34)	248	(17)	545	(24)	1174
28	Peru		463	(19)	216	(26)	483	(36)	1162
29	Indonesia	▲4	447	(23)	218	(25)	485	(35)	1150
30	Sri Lanka	▼4	471	(18)	181	(32)	488	(33)	1140
31	Ukraine		331	(37)	237	(18)	570	(18)	1138
32	Morocco		436	(27)	197	(28)	504	(31)	1137
33	Uzbekistan	▼3	368	(35)	196	(29)	557	(22)	1121
34	Kazakhstan	▲1	412	(31)	177	(33)	526	(29)	1115
35	Romania	▼1	270	(40)	225	(23)	607	(7)	1102
36	Pakistan		410	(32)	143	(39)	486	(34)	1039
37	Uganda		431	(28)	140	(40)	418	(40)	989
38	Cuba	▲1	287	(39)	144	(38)	544	(25)	975
39	Iran	▼1	361	(36)	182	(30)	421	(39)	944
40	Vietnam		302	(38)	158	(37)	429	(38)	889
41	Nigeria		396	(34)	115	(41)	373	(41)	874

•See Components of Index and Sources next page•

Developed Country Composite	681	622	680	1983

(Average of scores for five developed countries: Japan, Netherlands, Singapore, Spain, United States.)

Updated twice a year, the The Wealth of Nations Index is produced by the World Times Money Matters Institute, underwritten by Arthur Andersen, MFS Investment Management, Fidelity Investments, Concord Capital, Kuwait Investment Projects Company, LAI Worldwide, Prudential Securities, State Street Corporation and The World Bank Group.

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J'ACCUSE

Continued

I don't think they shortchanged us. No, the world believed for 25 years that the presidents and treasurers of the IMF and the Bank were quietly doing their jobs. They were not.

When the crisis came, they suddenly woke up to the fact, or theory, that these economies were sinners, driven by crony capital and imprudent banking in an unregulated environment. Surprise, surprise. It was if these countries had suddenly emerged from behind the Iron Curtain. The fact is that since the mid-1960s the whole banking and financial system of these countries had been under the control and captaincy of the IMF. The IMF directors cited Indonesia as their most attentive pupil, and now it was ditched like dirty laundry. Thailand had been a docile and attentive student. Malaysia had been a smart student, but had not respected the teacher.

The IMF and the Bank are monstrous in size and their local governors lived secluded lives. Didn't they feel the ground swell, hear the market whispers, notice what we wrote about nepotistic capital and corruption? The IMF has no right at all to blame the victims. Expressions of regret are overdue.

When the victims were bleeding to death, paralyzed by fear and panic, the IMF did nothing to advise, warn, or reassure to stem the flight of the touted "smart money." It did the reverse. The initial medicine made things worse, pushing Thailand almost to bankruptcy and bending Malaysian politics. When Malaysia's prime minister defied the IMF and the Bank, and turned policies 180 degrees by imposing exchange controls, it was considered by all and sundry to be very retrograde. Well, Malaysia has done better than many who obeyed the IMF.

It is widely believed in the countries concerned—and I agree—that the IMF's primary concern was to save foreign financial investment. It is the international banking community whose interests the IMF is most careful of protecting. Everything else is secondary. ●

AMITABHA CHOWDHURY IS EDITOR OF *Desh*, CALCUTTA AND A *WorldPaper* ASSOCIATE EDITOR

SOURCES FOR TRIANGLE INDEX

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- *The World Almanac of Book of Facts*
- *IDC Worldwide Black Book*
- World Times, internal research

Components of the Index: 63 factors weighted equally



ECONOMIC ENVIRONMENT

NATIONAL ECONOMY
- GDP growth rate
- Real GDP per capita (in PPP$)
- Annual inflation rate
- Savings rate
- Government deficit/surplus (% of GNP)
- Current account balance (% of GDP)
- External debt/GDP
- Debt service/exports
- Foreign reserves (excl. gold)/imports

INTERNATIONALIZATION OF THE ECONOMY
- International trade (% of GDP)
- Speed of integration
- Convertible currency?
- Foreign direct investment
- Portfolio investment
- Market capitalization

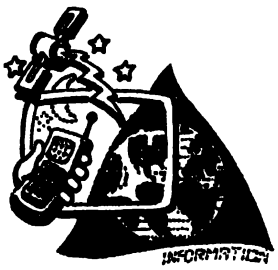
BUSINESS ENVIRONMENT
- Economic Freedom Index
- Independent Central Bank?
- Full central clearing services?
- Commercial Property Protection
- Privatization Index
- Corruption Perceptions Index

INFORMATION EXCHANGE

INFORMATION APTITUDE
- Newspaper readership (per 1000 inhabitants)
- Literacy rate
- College students studying applied and natural sciences (%)
- College students studying abroad (%)
- English as primary language for business?

INFORMATION INFRASTRUCTURE
- Radio ownership (per 1000 inhabitants)
- Television ownership (per 1000 inhabitants)
- Telephone ownership (per 1000 inhabitants)
- PCs (residential) in use (per 1000 inhabitants)
- Faxes in use (per 1000 inhabitants)
- Cellular telephones in use (per 1000 inhabitants)
- Membership in INTELSAT/ITU/WIPO?
- Information technology expenditure (% of GDP)

INFORMATION DISTRIBUTION
- Books published annually (per 100,000 inhabitants)
- Press Freedom Index
- Number of independent daily newspapers published
- Number of independent radio stations
- Number of independent television stations
- Cable television available?
- Satellite television coverage?
- Number of Internet service providers





SOCIAL ENVIRONMENT

STABILITY AND DEVELOPMENT
- Income distribution
- Male/female wage parity
- Unemployment rate
- Refugees as % of population
- Territorial disputes?
- Political rights index
- Independent Rule of Law
- Private automobiles/trucks in use (per 1000 inhabitants)

HEALTH
- Birth rate
- Life expectancy
- Death rate
- National healthcare program?
- Government expenditures on health (% of GDP)
- Pension spending (% of GDP)
- Population per physician
- Grain harvested area per capita
- Daily calorie supply

NATURAL ENVIRONMENT
- Protected land
- Air pollution index
- Population with access to clean water
- Signatory to CITES/ITTA/Montreal Protocol/UNCLOS

The doomsters were wrong

'Non! We have learned six lessons'

Michel Camdessus is Managing Director of the IMF. His views here, defending IMF strategy, are condensed from a speech made to the UN Economic and Social Council, in Geneva, in July.

THE GLOBAL ECONOMY has just passed through a perilous period. A worldwide recession was a distinct possibility and many observers had jumped to the conclusion that our forms of cooperation were ineffective, that the process of globalization, which had brought such clear benefits to many economics, was fundamentally flawed and should be reversed. None of these predictions have come to pass. Almost universally, the governments have resisted the temptations of retreating behind protectionist barriers, of restricting capital movements and of financial isolation.

This outcome owes a lot to the courageous policy action on the part of many countries. We should salute these governments and people who have been on the front-line fighting this crisis. They have shown that resolute policy implementation, with appropriate international support, does prevail. Let us not blur this outstanding message from Thailand, Indonesia, Korea, the Philippines, Brazil and others out of nostalgia for some "different consensus" or "alternative strategy" that we have not yet seen to succeed. We in the IMF have been proud to be with these countries in their search for solutions. But the cost of this crisis remains enormous, giving us a terrifying illustration of the risks which accompany the opportunities of the new century. What lessons should we draw?

First, excellence in macroeconomic policy is a must in international markets where complacency is invitation to speculation. Monetary policy has to be actively used: it has been decisive in containing the crises at their most virulent stage. Sound fiscal policy, well tailored to the specific situation and properly centered on human development priorities, is equally essential.

Let us not blur this outstanding some 'different consensus' or 'alternative strategy'

Second, the health of the corporate and financial sector must be kept under much stronger surveillance. Once crisis has struck, a comprehensive strategy of strengthening and/or restructuring must be put in place.

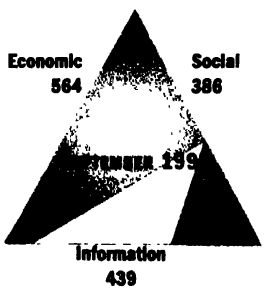
Third, exchange rate regimes and the conduct of exchange rate policy have to be adapted to the economic fundamentals. Each of the countries in crisis had operated some form of pegged arrangement or tightly managed float.

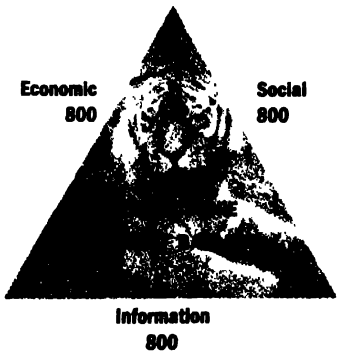
Fourth, transparency and governance, must be seen as essential components of sustainability of policies. Failures in this domain and particularly the kind of "too cozy" relationships which had developed between enterprises, banks and governments, dramatically contributed to the collapse of several of these economies. An important change has taken place, and I can imagine that countries emerging from this crisis will be prompt in adopting the internationally recognized standards and codes of good practice that are being elaborated to promote worldwide transparency in fiscal, monetary and financial polices, securities, accounting, auditing, and corporate governance.

Fifth, countries must act before crisis strikes to set up social safety nets adapted to the needs of vulnerable groups, and implement social policies that are consistent with a country's values and culture, and sustainable after crisis.

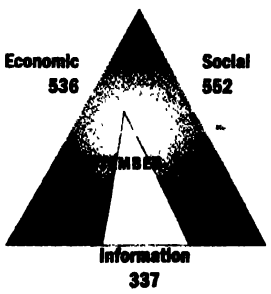
Sixth, only participatory decision-making systems can guarantee the needed, durable, popular support for in-depth reform. Economic stabilization or reform will not work unless it is effectively "owned" by the authorities of the country. ◐

CHANGING STRIPES FOR THE ASIAN TIGERS





Average of Triangle Index scores for South Korea, Taiwan, Thailand, Malaysia, Indonesia in September 97 as the financial crisis began to strike and today, two years later.



TeNTacular makeover

One of Europe's major global express distribution companies dons a new identity and consolidates its businesses



Sancheti says India is one of the highest-growth countries in TNT's world

Last year TNT went in for an image overhaul. This coincided with the official opening of its airport hub at Liège in Belgium. The design was done "with the aim of presenting a unified face under one brand while offering a full range of distribution services, both domestically and internationally," says Anthony Lock, the company's corporate manager (marketing). Last month TNT India went through the exercise of unveiling the new identity in this country.

Circles denoting (company officials explain) flexibility, dynamism, innovation, and customer-friendliness replace the boxes in the existing TNT logo. The new identity is said to be the culmination of months of research during which it was discovered that TNT's businesses operated under several brandnames; now the TNT brand encompasses all business units. "Our single-branding approach responds to our belief that customers want a single service provider, a true business partner who can provide tailor-made solutions by combining different capabilities and areas of expertise," says Ad Scheepbouwer, CEO of the TNT Post Group.

Corporate identity apart, the really major development is the European Express Centre, TNT's air cargo hub at Liège. According to Lock, the airport has major advantages such as uncongested space that would enable quicker aircraft turnarounds and "efficient and fast distribution for customers as a result of the excellent road access which Liège provides". It also complements TNT Airways, the company's cargo airline, which will be operated using its own fleet and alliances with other airlines. Once the European fleet of 33 aircraft and all airline activities are brought under one umbrella, Lock is confident of reducing network costs substantially over the next three years.

TNT, says Lock, has a strong market position in Europe. According to a survey done by *Global Finance*, DHL is the clear market leader in Europe and the US, and represents more than 220 countries worldwide. However. he adds, "TNT covers Europe with road- and air-based operations, allowing it to offer a broad range of service options." The company claims to distribute 2.1 million time-sensitive documents, parcels, and freight using its network of 704 hubs and depots serviced by over 14,000 vehicles and 40 aircraft.

The nature of business being time sensitive, most of the express distributors need to be technology-savvy as well. Like most of its competitors, TNT has sophisticated tracking systems in place. Lock believes that, within three years, a third of TNT's total express business will be conducted via the Internet. Today the company claims to process over 70 per cent of its consignment business electronically in the Netherlands and more than half of all business in the UK and Germany. Besides, it offers services such as 'Web tracker' (which enables a customer to track his shipments anywhere in the world), 'Web collection' (facilitates pick-up of shipments), and 'price checker' (to calculate the cost of shipments to various destinations).

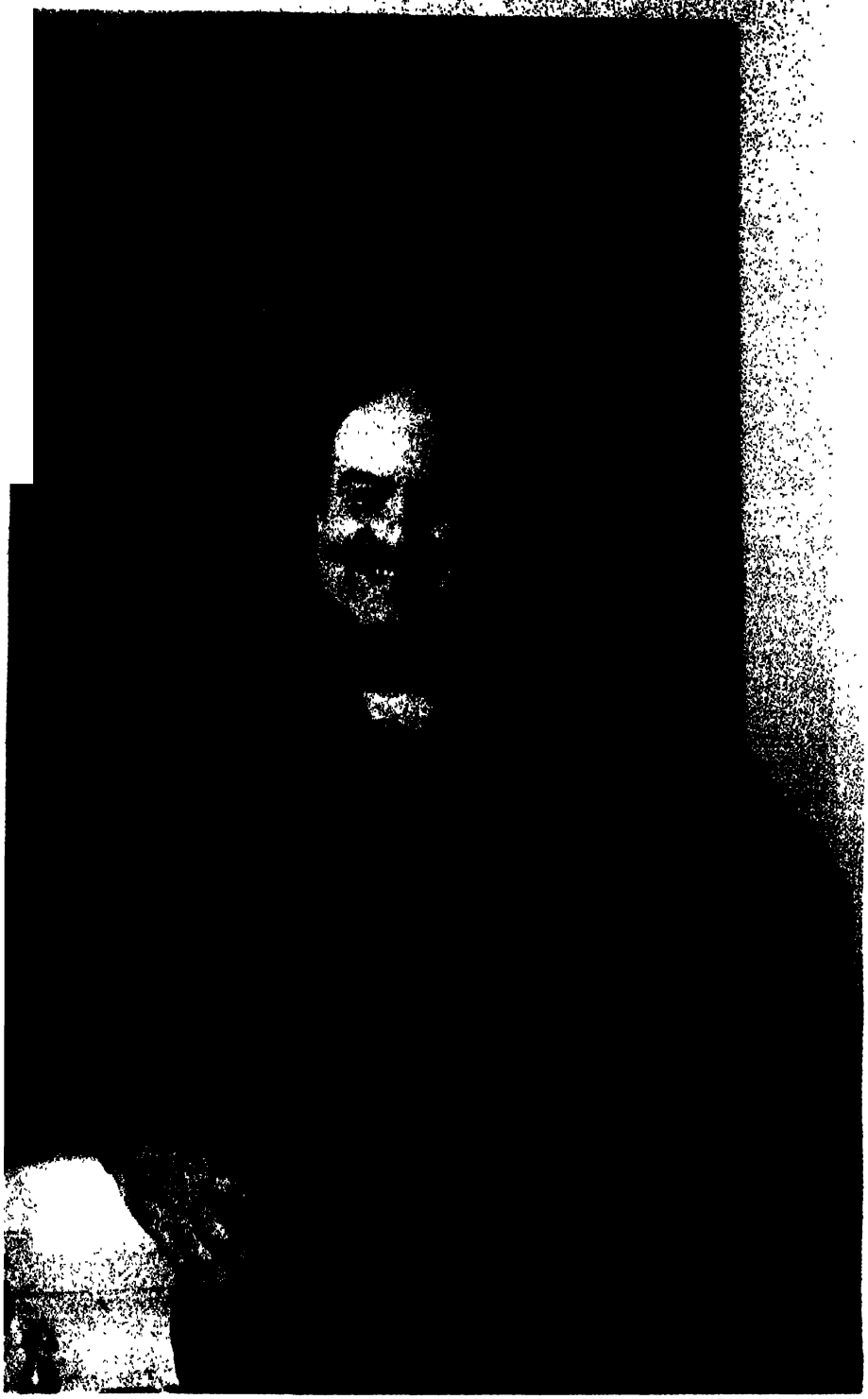
Though the largest markets are the US and Europe, industry analysts say the growth rates in the intra-Asian markets will soon outstrip the others. TNT has continued its investments in key markets in Asia such as China, Indonesia, and India. Greater China, company officials disclose, has been the greatest growth driver, clocking a 54 per cent revenue jump. In the past couple of years India has also clocked a 35 per cent annualised growth rate.

In India, though TNT began its association with Skypak, the marriage did not last long, leaving a bitter taste. Realising that India was a market that couldn't be ignored, it set up a solo effort a couple of years back. It is believed that the India operations have been incurring losses, which might explain the reticence of TNT's country representatives. However, according to reliable sources within the company, the past eight months have helped TNT break even. "We are looking at the long term," says Jinendra Sancheti, managing director of TNT India. "India is recognised as one of the growth-maximising countries in the TNT world. The growth rates witnessed in the past few years place it among the front runners. Thus, in TNT's game plan, India will receive ever increasing attention in the future."

• ROY PINTO

The Malabar [illegible]

Savvy money man [illegible] the world's best performing [illegible]



Jehangir's contrarian view has paid off handsomely and consistently

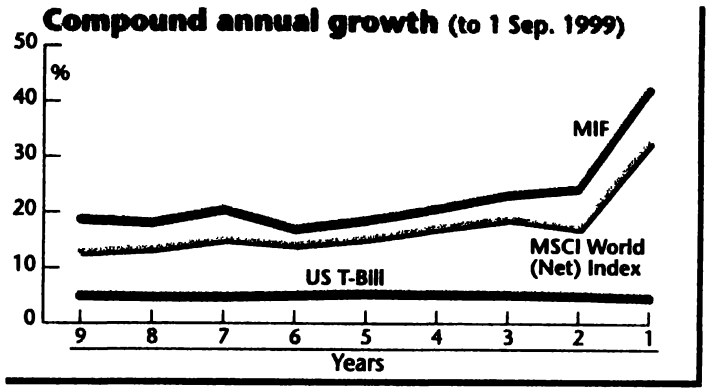
If Rustom Jehangir, managing director of Malabar Capital, were to speak at the speed of his thoughts, then few people would understand what he's saying. Having built a successful business career by thinking ahead of the curve and against conventional wisdom, Jehangir is only too aware of that. "Are you with me?" he asks solicitously every few minutes or so. At the slightest hint of a question on the listener's face he suppresses a sigh, then repeats the point, displaying the patience of a seasoned teacher.

Folks who wised up quickly to the advantages of being 'with' Jehangir have been handsomely rewarded. London-based Jehangir, a native of Mumbai, runs the high-performing, fast-growing Malabar International Fund. With $315 million under management, Malabar is a global growth fund with a track record that would be the envy of any big-name fund manager. On an annual compounded basis it's returned a handsome 19 per cent (net of fees, mind you) over the last nine years, outperforming the benchmark MSCI World Index by 6 per cent. In the first eight months of this year the MSCI Index was up by 8 per cent as against Malabar's 20 per cent rise.

In addition to the fund, Jehangir has corporate and institutional accounts of $352 million placed with him by clients like Northern Trust, a leading Chicago-based private bank. That adds up to $667 million of total assets under management (as of 1 September). You have to be moneyed to buy into the Malabar money-spinner—the minimum investment in the fund is $100,000. The fund charges a management fee of 1.25 per cent, topped up by a performance fee of 20 per cent on the returns over the US T-Bill rate.

Jehangir's record hasn't gone unnoticed. Standard and Poor's in its recent report has given the fund a triple A rating acknowledging its record of consistently outperforming the FT S&P World Index. Furthermore, in *Forbes Global* magazine's July ranking of the 200 best offshore mutual funds, Malabar International, which is domiciled in Bermuda, was listed alongside better-known names such as Morgan

Stanley and Fidelity. In fact, in the category of global growth funds, Malabar's five-year return of 19.4 per cent scores over the 15.3 per cent of Morgan Stanley's Global Equity 1 Fund and even the 18.1 per cent of Fidelity International's Luxembourg-based international fund (*see table*).



Beating the pants off other fund managers isn't Jehangir's goal, for he's not the type to keep a watchful eye on competition. And nor does he keep close tabs on a particular index. Jehangir, who calls himself an active fund manager, marches to his own unique drumbeat. "I'm not a great believer in trying to follow an index though, for the record, we have comfortably beaten the MSCI World Index. The fact is that 80–85 per cent of fund managers just cannot beat the index over a period of time," he says.

How Malabar stacks up

Fund	5-year return (%)
Malabar International	19.4
MorgStan Global Equity 1	15.3
Mercury ST Global Equity A	13.3
BNP Equity World C	17.3
Fidelity Funds International	18.7

Source: *Forbes Global*, 23 August 1999

Obviously, Jehangir is among the winning minority who can. Malabar had negative annual returns only once – in 1994 – in its history when it made a wrong call on interest rates. But it's been on the up ever since. "Look, making money in such an incredible bull market isn't such a big deal," Jehangir says self-effacingly. "The bull market has been a result of a virtuous circle of changes in technology, competition and regulation." True, but again Malabar's performance should be viewed in the context of Jehangir's unique money management style, which is rather conservative for an equity-oriented growth fund. As he says: "We don't borrow to leverage and we never go short."

That fits in, he says, with the fund's primary investment objective: "to achieve long-term capital growth through a managed, diversified portfolio of global equities, bonds, and cash while retaining a focus on the preservation of capital". Indeed, following Jehangir's safety-first rule, the fund has a large component of its assets in cash – almost 32 per cent as of 1 September – and almost never invests more than 90 per cent of its assets in equity.

Jehangir's aversion to shadowing an index comes into play even in the geographical allocation of assets. On this count too he prefers to plough his own furrow. Way back in 1989-90, he recalls, when Japan had a weightage of 40 per cent on the World Index at the peak of the Japanese bull market, Malabar slashed its exposure to that country to under 10 per cent. Consequently, Japan's ensuing economic woes which dragged the market down had a minimal impact on Malabar's portfolio. Now, Malabar's exposure to Japan has gone up to 34 per cent — the country's weighting in the FT S&P World Index is only 11 per cent — because Jehangir believes its economy is finally coming out of a long, dark period.

Lean machine

Another distinguishing point: the way Jehangir runs the Malabar show. Malabar Capital's office located at Brook Street, just off Oxford Street in central London, is exactly the cosy and discreet kind of place that high-net-worth (read: wealthy) clients would feel comfortable visiting. You won't find a battery of fund managers here, each trying to speak on three phones at the same time and schmoozing clients.

There's Jehangir in a corner office, his desk dominated by three computers that connect him to the world's stock-markets and through which masses of data comes pouring in from stock analysts around the world. Helping him sift through this data overload are two research analysts, both Indians. Naveen Mittal, a former schoolmate (from Mayo College, Ajmer), who left Merrill Lynch in Singapore to team up with Jehangir in 1996, tracks IT, telecom, and automobile companies. Chartered accountant Ash Shah, who moved over from Touche & Ross five years ago, focuses on healthcare and consumer products.

It's a lean operation because Jehangir swears by outsourcing. Consultants with specialist knowledge in areas like pharmaceuticals, IT, and biotech, are used on a selective basis. "We're inundated with research just like everyone else is. Look, all of us have access to much the same information; the trick lies in how you interpret it and how and when you act upon it," explains Jehangir, who churns the portfolio on average 2.7 times a year.

Very broadly, Jehangir looks at markets with a wide-angle lens, trying to discern what's driving changes in the big picture. His conclusion: "Technological, political, economic, and legal changes are reflected in equity valuations through market structures that try to discount the effects of change. Important structural changes are what we try to understand and position the fund to benefit from.

Jehangir uses a top-down thematic approach in making investments. Explains Mittal: "We first identify our core themes, then try to find companies that fit into those themes." For instance, the themes of the moment are IT, communications, healthcare, and savings. Each of these is a universe unto its own, so the Malabar men

Malabar's all-time favourites

QUALCOMM®

Bought at: $30
Current price: $213
Why: **Qualcomm**, a manufacturer of mobile phones and chips used in making mobile phones, is also the owner of the intellectual property required for building CDMA or wideband CDMA, a protocol wireless companies are expected to increasingly use as the amount of data transfer increases. With the coming of the Internet, the transfer of data to users of mobile phones has become paramount.

After a long legal struggle with Ericsson it has been agreed that Qualcomm will get its due compensation on the patents held by them. This effectively translates into a royalty for Qualcomm on every mobile phone, smartphone, or handheld computer made by any manufacturer in the world using the CDMA or wideband CDMA protocols.
Forecast: Growth in net income exceeding 35 per cent per annum for the next 3–5 years.

ARM.

Bought at: £2 (average cost)
Current price: £12.10
Why: **ARM holdings plc** designs and licences a portfolio of intellectual property cores to leading semiconductor and systems companies. The high-performance, low-power RISC microprocessor cores are especially well suited for use in high-volume consumer applications where battery life is critical. Typical examples are mobile phones, handheld computers, toys, and car components.

ARM does not manufacture a product but instead it receives a royalty for each core that silicon producers decide to use or "embed" in their final chips. With some of the largest manufacturers of silicon being ARM licensees, this company may rapidly become the standard in this area. Some of its licensees are Intel, Lucent, Texas Instruments, ST Microelectronics, Atmel, Samsung, Matsushita, and Yamaha.
Forecast: Net income growth of 50 per cent or more over the next 5 years.

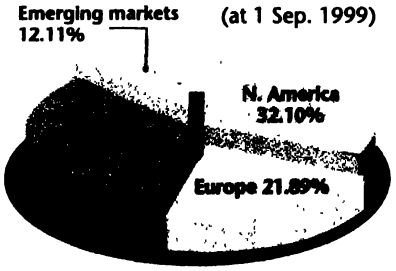
NTT DoCoMo

Bought at: ¥1.028 million
Current price: ¥2.1 million
Why: NTT **DoCoMo** is the leader in Japan's wireless market with a 58 per cent share. Partly owned by NTT of Japan

delve deeper and identify the 'spaces' they want to be in. For example, in the field of communications, they've decided that they want to go with 'last mile' companies. The genius lies in cherry-picking the likeliest winner in that 'space'.

It's here that Jehangir draws upon expert knowledge from consultants. Does a company have a real technological edge? What's the true position on the patent it owns or claims to own? This strategy has come up trumps. For example, he bought Qualcomm even while it was in the midst of a patents battle with Ericsson. He went by the consultant's judgement that Qualcomm had the rightful claim. Result: the bet paid off when the ruling was in Qualcomm's favour and its share price zoomed.

Asset allocation



Right call, right time

Sometimes the bet is backed by an informed hunch rather than extensive research. Shah gives the example of their holdings in Singapore land companies. When stocks in this sector crashed 80 per cent last year, they figured that, in a land-scarce country like Singapore, these scrips would eventually climb back. Another bull's eye. The stocks bottomed out and have tripled in value since.

Jehangir's ability to make the right call at the right time has been well-honed not just over the 23 years that he's spent in this business but even earlier. His fascination with the stock-market began while he was studying commerce at Mumbai's Sydenham College. When he got a chance to hang around the offices of his father's stock-broker pal he was hooked. After graduation in 1972, Jehangir was clear about where he wanted to be: Wall Street.

Completing his MBA from York University, Toronto, he was naturally drawn to the world of broking. It was an offbeat choice. "IBM and Procter were the name of the game for MBAs back then," he recalls. He joined the Toronto office of Merrill on the sales side. The Canadian market was dominated by natural resource stocks, all of which were riding the oil boom. But it was hard to buy international stocks, which in any case were not in vogue at the time.

Sensing that there had to be a world outside North America, Jehangir asked for a transfer to the London office in 1982. At the time, Merrill's exposure in European and other international equities was small; colleagues thought that he was a bit soft in the head to move out of the centre of action. But Jehangir could sense the turning tide, an ability that's given him an edge in the fund management business. He set up Merrill's non-US institutional equity sales business in London.

It was during this time in the mid-1980s that Merrill joined forces with UTI to launch the India Fund, the first offshore fund for Indian equities. "I guess you could say that I was the first

and until recently the only mobile wireless company to cover Japan completely, it has built a faithful following with a churn rate of only 1.7 per cent.
Forecast: Net income growth of 20–25 per cent over the next three years.

JDS Uniphase

Why: JDS **Uniphase** was created from the merger of JDS Fitel and Uniphase. The integrated company will provide fibre optic components to telecommunications manufacturers in integrated modules rather than separate components. Fibre optic components are used in the manufacture of wave division multiplexing (WDM) systems. This permits you to use a single fibre channel to transmit up to 80 channels of signal. WDM has completely changed the parameters for investing in long distance cables *vis-à-vis* satellites.

JDS Uniphase was one of the first companies whose components qualified for use in undersea cables. Given its superior technology, it will continue to hold its lead for fibre optic components.
Forecast: Net income growth of 40–45 per cent over the next three years.

TEXAS INSTRUMENTS

Why: **Texas Instruments** (TI), the original maker of the first calculator, has been reinventing itself. Over the last three years the company has been focusing on digital signal processors (DSPs) and mixed signal chips.

A DSP is a silicon chip which performs complex mathematical operations in real time to generate, manipulate, or interpret digital representations of analog signals. The ability to handle signals in real time enables DSPs to be used where delays cannot be tolerated as in cellphones and anti-lock brakes. Currently the world leader in DSPs, TI is well ahead of its other competitors like Lucent, Motorola, or Analog Devices.
Forecast: Growth rate of 30 per cent for the next three years.

BROADCOM

Why: **Broadcom** makes communication chips that allow for high-bandwidth last-mile communications. Its products enable high-speed transmission of data over the communications infrastructure. It is the leader in its field.
Forecast: Earnings growth of 50 per cent for the next three years. •

person who began marketing the India story overseas," he recalls. Ironically, Malabar's exposure to Indian equity is marginal today and limited to a couple of scrips. The only one worth mentioning is Dr Reddy's Labs, which he picked up from the GDR market at under $6; it's now priced at $34 and figures among the top 10 scrips in Malabar's portfolio (*see table*).

Malabar is constrained from investing in India since it's not registered as an FII. Jehangir says he had put in an application with Sebi but was given such a run-around that he gave up. But he remains a keen India-watcher and visits home at least a couple of times a year (his wife is the daughter of reclusive tycoon Pallonji Mistry). If he had the option, what Indian stocks would he pick? "Not the old, cyclical stocks, definitely not. I'm interested in the new India — pharma, the service sector, and IT. They're shareholder-friendly but unfortunately too expensive right now," he admits.

In 1987 Jehangir decided he'd spent enough time as a salesman and that he should move to the buy side. And why not set up his own outfit? He quit the company in April when the market was at its peak and decided to take time off to clear his head and plan his new venture. While he was holidaying in Toronto in October, the market crashed. He quickly saw the opportunity: "It was the best time to start a fund management business because you could get in cheap," he reasoned, ever the contrarian.

Top 10 holdings

	% of total assets*
Qualcomm Inc	4.46
NTT DoCoMo Inc	2.60
Abbey National plc	2.53
Nintendo Co Ltd	1.85
Sony Corp	1.83
NTT Corp	1.73
TotalFina SA	1.73
Dr Reddy's Laboratories	1.67
Safeguard Scientifics Inc	1.67
DBS Land	1.63

*on 1 Sep. 1999

He set up Malabar Capital in November 1987 with an initial investment of £20,000. The name was a tribute to Jehangir's roots — he grew up in south Mumbai's Malabar Hill. It was slow going. Clients weren't exactly lining up at his door. Without the Merrill name to back him, he was an unknown entity. Being a private money manager had its shortcomings and Jehangir was advised to restructure Malabar. In June 1990 he set up the offshore fund with an initial corpus of $6 million, a structure that began to draw in clients.

Now Jehangir is planning a more global push. He's in the process of relocating the domicile of the fund from Bermuda to Luxembourg and registering at as an FCP (a co-proprietorship managed by a Luxembourg management company). This, he claims, will qualify Malabar to be freely marketed in the European Union. He also plans to register it as an FCP in Japan, Hong Kong and Switzerland, markets he hasn't yet tapped. For the man from Malabar Hill, the world then will truly be his oyster.

• NAAZNEEN KARMALI in London

Japanese banks Asahi and Tokai are to come together to form the country's third largest banking group with assets worth $549 billion. The announcement has come two months after the Industrial Bank of Japan, Dai-Ichi Kangyo, and Fuji broke the news that they plan to come together, creating Japan's



biggest bank. The mergers mean that the number of Japan's large banks will now stand at 14, a fall from the 21 that were around until two years ago. Asahi and Tokai have predicted that their merger will result in a loss of around 4,000 jobs but would produce cost savings of ¥32 billion per annum. This latest alliance is expected to put pressure other Japanese banks like Sanwa, Sakura, Sumitomo, and Bank of Tokyo Mitsubishi to rethink their strategies.

• The Italian government has announced a larger-than-expected initial public offering of shares in state-owned electricity giant Enel. The state treasury has said it will sell at least 20 per cent of its stake in Enel in a global offering worth $12.8 billion. Enel, Italy's main electricity generator and distributor, has been so far 100 per cent owned by the Treasury. The Enel IPO is the largest in the world this year. At least 40 per cent of the shares on offer are expected to go to Italian retail investors and the remainder to institutional investors. Enel has recently made some high-profile acquisitions in telecoms, water, and Internet services, and this IPO should make it the largest quoted electricity company in Europe. The IPO is part of Italy's efforts to privatise in order to enter the Euro as well as reduce debts.

• Motorola has decided to write off its $1-billion investment in the ill-fated Iridium satellite telephone system. Motorola is the largest investor in Iridium, which filed for Chapter 11 bankruptcy protection earlier this year. However, the company is to continue its operation and maintenance contract with Iridium even though it will not be paid for that. It has taken a $994-million special charge against its third quarter earnings to cover Iridium-related losses. This charge is in addition of a $126 million write-off in the previous quarter.

• Nasdaq Japan has plans to launch an Internet-based stockmarket by the end of next year. The proposed online exchange will allow Japanese investors access to the full range of stocks traded on Nasdaq as well as dual listings for Japanese companies on Nasdaq Japan and Nasdaq in the US. The move comes as a challenge to the Tokyo Stock Exchange, which has prevented fast-growing technology companies from being listed as they require a history of profitability. In Nasdaq Japan's case corporate disclosure, rather than performance, will be a key factor for listing. The Tokyo Stock Exchange has retaliated by announcing that it will establish an exchange run along the same disclosure-led lines. However, analysts are convinced that this exchange is unlikely to be operational before Nasdaq Japan's venture.

• US electronics group Raytheon has slashed its profit projections for this year and the next. The company has said that it will take nearly $700 million to cover the costs of restructuring and project delays. Raytheon's problems closely follow similar upsets at Lockheed Martin, the biggest American defence contractor, and Boeing, its other main competitor. All three defence companies have run into trouble consolidating their businesses following a wave of mergers that have seen most small manufacturers being swallowed up. Lockheed's and Raytheon's problems are embarrassing for the Pentagon as it urges European defence companies to link with US manufacturers rather than with each other. Raytheon's warning – the second from the group within a month – said it expected 1999 earnings per share, excluding charges of $638 m, of about $2.75 compared to analysts' forecasts of $3.56. Profits in 2000 would be between $2.10 and $2.25, almost half the $3.91 expected by Wall Street. The group's operating margin was expected to fall to 12 per cent from 15 per cent previously expected.

• Fendi, the Rome fashion house famous for its furs, is to be taken over by Prada and Louis Vuitton Moët Hennessy (LVMH). The fight for control of Fendi has resulted in Prada and LVMH jointly acquiring 51 per cent for $425 million.



While Prada is a fashion group based in Milan, LVMH is a French luxury goods conglomerate. The two decided to consolidate forces against Florence-based fashion group Gucci. The Prada–LVMH offer, valued at $850 million, was considered far more friendly than Gucci's $900 million. Gucci, itself under threat of takeover from LVMH, wanted full control of Fendi, a privately owned company controlled by the five Fendi sisters with annual sales of $1.138 billion and annual profits of about $16 million.

• The fast-growing French cosmetics and perfumes chain Sephora is giving New York retailers a run for their money. Sephora has made its presence felt in a way that few European retailers have done before in the US. Last week saw it open a 21,000-sq.ft. store in New York's Rockefeller Centre while simultaneously launching an online store, both of which are to backed by a $25-million advertising campaign. The new store is the first of 50 stores Sephora will open in America by the end of 2000 at an outlay of $100 million. Retail analysts have predicted a bitter battle in the world of fragrances and cosmetics which is likely to involve every beauty store in the trade. •

WORD COUNT

"This is where the pain's going to be. It's time to say, 'Let's change our way of doing things'."

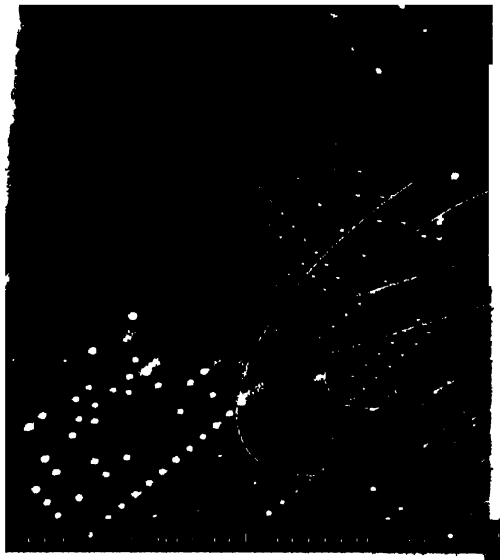
Brunei's deputy finance minister DATO' SELAMAT MUNAP on his country's plans for privatising government agencies and liquidating assets to ensure that Brunei's 300,000 subjects still pay no taxes and enjoy free medical care and education, in BUSINESSWEEK

"You can wash clothes, bang the dust off futons and, when it blows, the wind will carry everything away."

A local official's assurance to Japanese citizen TEUMI TERUNUMA after she phoned in panic after Japanese television announced a nuclear accident in her hometown Tokaimura, in NEWSWEEK

"There's no El-Niño-like effect that has caused this chain of earthquakes It's just a bad coincidence."

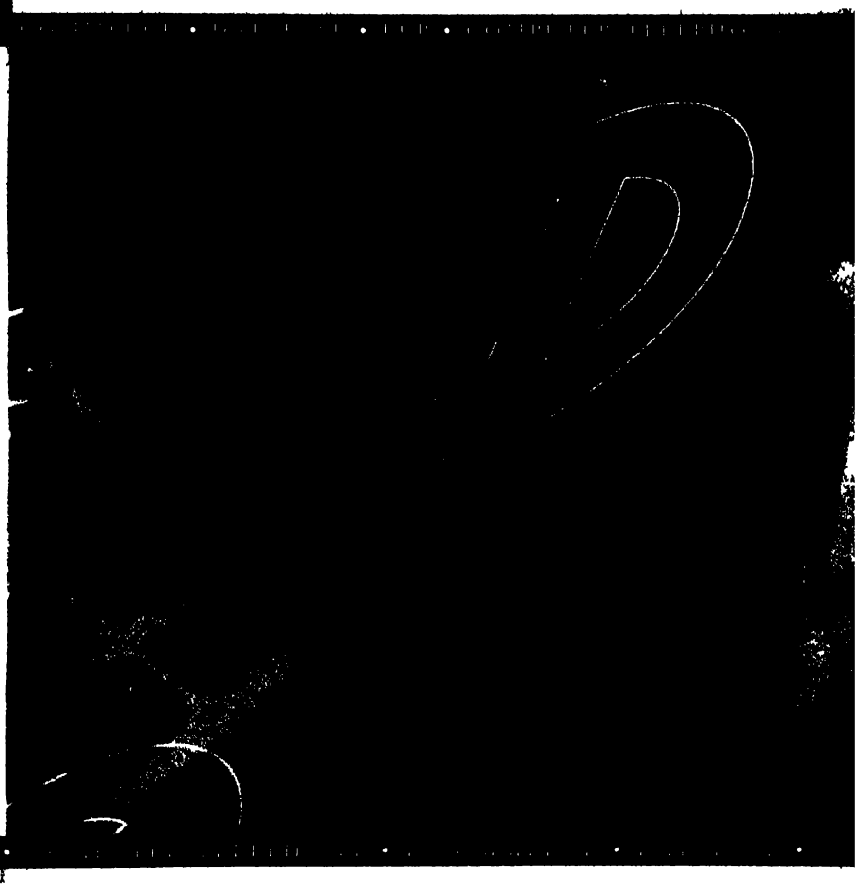
American seismologist JOHN GREELING's comment on the recent disastrous earthquakes in Turkey, Greece, and Taiwan, in TIME



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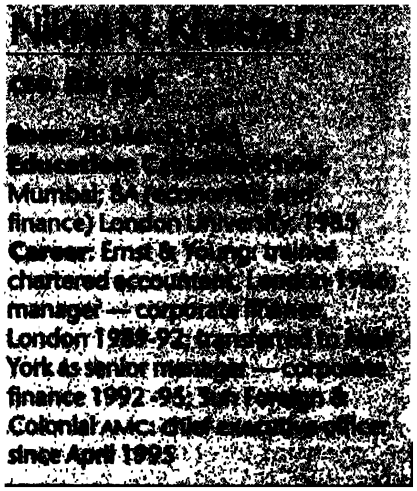
Having fun with funds

Nikhil Khattau is on his mobile, assuring a worried investor that the fall in the stockmarkets after Pakistan's military coup is a temporary blip. "The whole thing is overblown, the market has already recovered and the trend is once again bullish discounting the happenings in our western neighbour. Yes, the threat perception is larger, but the US State Department has obviously got a handle on the situation," he says, soothingly.


UMESH GOSWAMI

As the CEO of mutual fund company Sun F&C, Khattau is already managing assets upwards of Rs800 crore and is well on target to meet the medium-term target of Rs1,500 crore. To make an early tryst with that figure, a welter of products is being unleashed — a balanced fund next month, followed by a monthly income plan and a speciality mutual fund (not a sector fund). Khattau is also pursuing a tie-up with a few banks to distribute his funds through their retail branch network. Bolstering the network is Khattau's new credo and he his relentlessly pushing for new offices in not just the four metros, but now the four minis as well. This is fructifying quickly, so as to take Sun F&C closer to the investor.

Khattau won his spurs during his London and New York stints with Ernst & Young. He looks back fondly at the London experience, "I was part of a new investment boutique division incorporating banking services which was launched by Ernst & Young. The objective was to raise finances for management buyouts and private equity funds." After three years, when he was posted to the Big Apple, his world vision really grew, he acknowledges. Khattau was given the task of managing emerging market mergers and acquisitions. Initially, his portfolio included Latin America and Russia and subsequently India. On the learning curve, this was a most illuminating experience for Russia's privatisation programme was then going full tilt. Khattau was the key man for several US-based companies which were in the process of acquiring Russian enterprises. Two big deals transacted then were the takeover by Sikorsky Corporation of the pre-eminent Russian helicopter company MiL and Pioneer Asset Management's purchase of First Voucher, Russia's largest mutual fund.



While in New York, he was headhunted by Sun F&C. His brief was to set up an asset management company focusing primarily on the Indian market, which was increasingly becoming the flavour of the season. Hypo F&C, one of the joint venture partners of Sun F&C, manages the world's oldest investment trusts, the Foreign & Colonial Investment Trust which dates back to 1868. Hypo F&C is itself owned 90 per cent by HypoVereinsbank, Germany's second-largest bank with an asset base of DM850 billion and assets under management in excess of $100 billion. Sun, meanwhile, is an NRI group led by Uday Khemka based in London with substantial interests in Russia. They run a major private equity fund and are the second-largest beer brewers in Russia. Sun and Hypo F&C are equal partners in the Indian AMC, with the management team led by Khattau also having a stake in the business. This, Khattau says, is a first in the Indian mutual fund sector which makes sense, in this era of mobility as it is an effective barrier against poaching.

In any case, the proposal dovetailed perfectly into Khattau's plans. "I grew up in Mumbai and very much wanted to return to my favourite city. The decision was easy. The Indian finance market was slowly becoming more transparent and, fortunately for me, there were absolutely no adjustment issues. I won't swap this for anything else. Yes, the initial period of waiting as we sought the necessary clearances was a trifle frustrating, but teething troubles exist everywhere."

But once the jigsaw fell into place, Khattau quickly got the business off the ground. He launched the India Performance Fund in 1996 (an offshore fund based in Mauritius). "This fund has done very well, providing total returns in dollar terms of 100 per cent over the past three years. Next, we launched the Sun F&C Value Fund, which has appreciated by 125 per cent and is giving a compounded

annualised return in excess of 50 per cent since its inception. We followed this up with two fixed income funds — Money Value Bond Option and Money Value Liquid Option" he says.

That was the time when asset mobilisation in the mutual funds industry was slow, primarily due to a disastrous debut by Morgan Stanley. To counter that, Khattau opted for the international investor route. The India Performance Fund was followed up by the Indian Investment Company Fund out of Luxembourg. Using that as the springboard, Khattau and his team began to outline the blueprint for a basic family of funds for domestic investors. As he says, "The idea was to launch, incubate and then push them like hell. By doing this, our profile has gone up several notches. Concurrently, we built and then beefed up our distribution presence. Today, the bulk of our assets are equity and the domestic asset base is growing rapidly. The reason is that over the last two years, private sector mutual funds have given absolute returns, the catalyst propelling things forward was the tax break announced for dividends in the last budget."

Khattau is mighty pleased with the direction the industry is taking. "If you look at the MF industry in the US, it rivals the banking deposits base. The Indian MF industry can do similarly, although it will take some time. Remember, it took 40 years for the US MF industry to get there. I honestly believe that there is room for many more players. The retail investor is canny and shrewd and he is now sensing an opportunity through the MF vehicle," he says.

The key, according to Khattau, is to wean away household savings, which is in the vicinity of $40 billion, to the MF sector. Simultaneously, he wants to target corporate savings as well for this is being channellised in a big way into debt-oriented MFs. Khattau, smart and sophisticated, is poised to be an important player in the burgeoning MF industry. Meanwhile, he is keeping his interest in contemporary art alive, as he rushes off to a gallery to pick up the latest painting of upcoming artist Manash Kamal Biswas.

• SANDEEP BAMZAI

FRONTRUNNERS

Mega moves



Since he couldn't achieve his childhood ambition of being a musician or a cricketer, Suresh Dinakaran, has settled – very nicely – for the next best thing: being the CEO of Magna Publishing Company Ltd. He is the second CEO in the company's 28 years of existence and, at 33, much younger than his predecessor. Being at Magna is like coming home for Dinakaran as he started his career with the publishing house after his MBA from Heriot Watt University, UK. "It was a walk-in interview for management trainees and there were 400 other applicants queued up outside," remembers Dinakaran about the selection process. After learning the ropes about video film production and marketing the company's various magazines, Dinakaran moved to Delhi to head its branch office when he was only 22. "My stint in Delhi helped me overcome a lot of cultural, social and professional barriers," he says.

Soon he moved to head the company's distribution function in Mumbai. After a successful stint with Magna, Dinakaran, however, left it in 1995 as he wanted do something on his own. Since his brothers were settled in Dubai, he moved there to set up a publishing and advertising company. "The business was plentiful, but the licence fees were a bit too much for me to handle," admits Dinakaran, who moved back to India and joined IndusInd Media as vice-president and publisher looking after the company's print and cable ventures. But the big picture that was painted when he joined shrank considerably over time, forcing him to move out. He then set up the Centre for International Management Education providing management training.

Then along came Magna again. The challenge of heading the company and ensuring that it moves in a profitable direction does not bother Dinakaran too much because he "finds work relaxing". For him, a normal day lasts for 12 hours, after which he rushes home to spend time with his wife and 2 1/2-year-old daughter. "And yes, no matter how tight the schedule, I do manage to find time for both my first loves – music and cricket," he says. •

Plenty on the plate



Here's one man who knows what he wants, and what he doesn't. "I knew what I didn't want to do. I definitely didn't want to be a doctor, an engineer or an architect. I wanted to take up catering, much to my parents' despair," says Saajid Khan. Now, as vice-president of Radhakrishna Hospitality Services Ltd (RKHS), the 32-year-old reminisces fondly about the three "wonderful years" at the catering college in Mumbai and doesn't regret his decision for a moment.

Ask him about his career so far, and he'll trace out what he calls "phases". Fresh out of the catering institute, he joined the Taj group, beginning with a two-year management programme, which gave him hands-on training and plenty of exposure. He describes his five-year stint at the Taj as "the five-star, deluxe phase". Having got the essence of that, he decided to leave the group to take up a "hell of a project". This was the "restaurant phase" during which he took up the challenge of converting an old ceramic store in Mumbai's western suburbs into The Venue, a swank F&B complex. He began the third phase as GM of the industrial and institutional catering business unit of RKHS. Recently promoted as the company's V-P, Khan plans "great things" for RKHS, which ended the 1998-99 financial with a turnover of Rs60 crore, with a 20 per cent growth in sales and profit. "There's tonnes of work to be done. As the only organised company in this sector, we have to set the standards for the industry," he says. High on his priority list are HRD, training personnel and an increased focus on IT and systems with a view to increase time and cost efficiency. With a plate full of "ambitious programmes" to suit his palate, it is little wonder that he sounds so infectiously enthusiastic about the newest phase.

• SANGEETA MENON

Reaching out

Once an entrepreneur always an entrepreneur. Ask Feedback Reach Consultancy managing director Rumjhum Chatterjee. After kicking up a cushy job as a qualitative researcher with the Indian Market Research Bureau, Chatterjee co-founded Feedback Ventures, in the late '80s, along with her husband Vinayak. Subsequently, she spun off the HR consulting and executive search business of the group into a separate company called Feedback Reach Consultancy. Two months ago, Chatterjee decided to utilise the knowledge base and resources of Feedback Reach to launch a netzine called Reach-Us (ww.reach-us.net).



Chatterjee's Net magazine has evoked much interest

The fortnightly Web magazine, which claims to be one of the country's first on-line HR magazines, promises individuals and HR professionals a platform for discussing issues and trends related to human resource management. The magazine has seven sections, including chat forums, feature articles and opinion polls as well as career counselling, executive movements across industry and sectors. There is also an almanac of key events and programmes relating to HR and management as well as a resume submission service. Soon, it also plans to accept recruitment advertisements.

In the first week itself, Reach-Us got a whopping 42,000 hits. "Now people visit the site either because they know of it, or are accidental visitors. Eventually, I am looking for a loyal base," says Chatterjee. That shouldn't be too difficult for someone who is an active member of the HRD network, and is closely involved with the member companies of the Confederation of Indian Industries as a consultant on HR policies and systems.

New chef

For some time now, there has been much speculation about who would take over as head of Hindustan Lever's foods division, a business the company has great hopes for. One name that was tossed around briefly was that of Harish Manwani, director in charge of Lever's booming personal products business. No way, say Lever insiders. Manwani is clearly headed for bigger things, which he well deserves. Remember, that in the toothpaste business, he's the man who ensured that Lever had Colgate's lunch. The new foods head is likely to be S. Ranganath, formerly commercial manager (detergents). He is currently on his way back from an executive programme at Wharton, after which he will be taking up residence in Bangalore to handle the new assignment. Ranganath is known to be competent, though his name was not in the ranks of so-called high-fliers.

Much ado over PRs

The demand for competent corporate communications professionals continues to outweigh supply. Recently, we had reported that ITC had finally found the successor to Adityi Syam who is due to retire. What went unreported is Larsen & Toubro's unsuccessful attempt to find a successor to long-time incumbent Cerena D'Souza. Several candidates were interviewed but nothing came of it, forcing L&T to give an extension to D'Souza who was due to retire last February. Prospective candidates are believed to have been put off by L&T's none-too-appealing compensation package. Apparently, while the company is quite willing to lay out the perks such as a house in South Mumbai, it is not too generous on the cash front.

The other company that has been searching for a spokesperson for a while is Monsanto. Given the public relations pickle that the company has been in worldwide over the terminator seed controversy, that certainly makes for a challenging assignment. One more hot seat going abegging is that at Dabhol Power. A senior PR man, currently with an automobile giant, is said to have come close to signing up, but eventually backed out. These are all Mumbai-based assignments. In Calcutta, the company scouting around is Haldia Petrochemicals, for which the package is supposed to be rather attractive. Stand by for news on who moves where!

UTV on the Net

The Internet is posing a big challenge to traditional media companies worldwide. Many of them are pouring in money in the fear that if they don't invest now they will be left behind. But Indian media companies, with a couple of notable exceptions, have yet to lay out big bucks in developing this new medium. Curiously, it is the relatively newer players that are marching more bravely ahead. Entertainment software house UTV is reported to be contemplating an IPO later this year. It had earlier managed to nab the hard-charging Khursheeda Mody (ex-Johnson & Johnson & ex-World Gold Council) as president, following which several key executives exited. UTV's latest catch is Biren Ghosh, who has been roped in to head the new media business for which UTV has a tie-up with Sabeer Bhatia of Hotmail fame. Forty-three-year-old Ghosh spent a large part of his career at the UB group looking after its engineering business. He has been in Dubai for the last seven years, five of them as Vijay Mallya's man in Dubai and two years as an independent consultant. Ghosh has a reputation for being a high-energy, hands-on kind of guy.

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Send your bio-data to :

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Feedback Infrastructure Limited
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E-mail : fil@ndf.vsnl.net.in

SUPREME TELECOMMUNICATIONS LTD.

Supreme is a leading telecom services company established in 1973, offering the most comprehensive range of turnkey telecom engineering solutions. We have extensive experience spanning over two decades having expertise to provide end to end solutions under turn-key responsibility for telecom projects.

GENERAL MANAGER

A. FINANCE & CORPORATE RESOURCES: The selected candidate will be responsible for overall functioning of Finance Division. We require an experienced person with proven skills and track record for this important corporate post. Preference will be given to CA/MBA (Finance) with minimum 12-15 years overall experience out of which 5 years should be in a senior management position should be computer literate. Age group between 35 to 40 years preferred. This position reports to the Manging Director of the Company.

B. AUTHORISED REPAIR CENTRE (NOKIA) : The selected candidate shall be responsible for overall functioning of the Authorised Repair Centre, as a profit centre head. This is an All-India position handling about ten authorised repair centres currently and expected to handle several franchisees in the near future. The incumbent shall be also responsible for Marketing and distribution of NOKIA handsets and accessories. Besides newer telecom product/service lines are expected to be added soon.

The candidate must be an MBA with specialisation in Sales/Marketing and havinga about 8-10 years of experience. Preference would be given to candidates who have earlier managed consumer electronics. office automation repair and service centres. The candidate should have been exposed to services/retail marketing and independently handle the customer care functions. Computer literacy & use of internet based communication is necessary. This position reports to the Director (Corporate Planning and Technical).

C. TELECOM CONSTRUCTION DIVISION: The selected candidates shall be responsible for marketing monitoring of telecom construction projects all over India as well as outside India, in close co-ordination with regional teams. He shall also be responsible and accountable for projects control and monitoring resources planning and controlling, MIS, development of customer relations, cost control and such. The applicant must have degree in telecom engineering with relevant post graduate management qualification with 12-15 years experience in the relevant field, out of which 7 to 8 years should be in senior management position. Age group between 35-40 preferred. The incumbent should have worked in a highly computerized environment with relevant exposure to the latest softwear tools. This postion reports to the Director of the company.

MANAGER

A. MARKETING-COMPUTER NETWORKS: The selected candidate shall be responsible for Marketing and Implementation of Projects involving IT Networking. Exposure to LAN/WAN and IP is essential. Should be coversant with Internet, Intranet & applications. Exposure to ERP would be an Added advantage.

The Applicant should be an engineer with 5-6 years of relevant experience. Age group 28-35. The incumbent should have worked in a highly computerized environment with relevant exposure to latest software tools.

B. MARKETING- TELECOM NETWORKS DIVISION: The selected candidate shall be responsible for order bookings, building customer relations through regular interactions, gathering information on all possible business potentials through internal and external sources for realistic business projection and assigning, monitoring and getting implemented annual targets for business booking from his subordinates.

The applicant must have degree in telecom engineering. Relevant post graduate management qualification is desirable. The candidate should have 8-10 years experience in the relevant field. Age group between 28-35 preferred. The inclumbent should have worked in a computerized environment with relevant exposure to the software tools.

C. HEAD HUMAN RESOURCES DEVELOPMENT/TRAINING : This position is at corporate level and the incumbent shall pro-actively handle all HR issues. Besides the standard HR roles, he shall play the role of change agent and focus on organizational development and employee training on all India basis. The candidate must be an MBA with specialisation in Human Resources Management/ Personnel Management and having about 10-15 years of experience. Preference would be given to candidates who have worked at equivalent level.

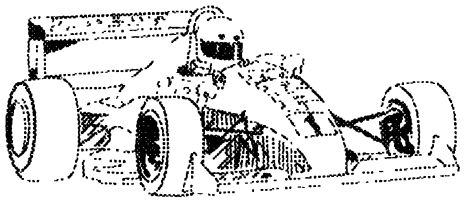
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Please courier/fax your resume within a week indicating your current salary and perks addressed to the HRD Manager

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A LEADER IS ONE WHO SEES AN OPPORTUNITY WHERE OTHERS DON'T...

Our client is a leading IT company providing total solutions in Systems Integration, Networking and Software Applications having a vision to become India's most respected IT company. They are currently operating out of 44 locations in India, the Far East, Europe and the USA and have a team of 950 strong committed hardware, software and consulting professionals. The company has plans to expand their operations and to emerge as one of India's leading Systems Integration & Software Solution providers. To achieve these ambitious growth plans they are looking for accomplished professionals to head their rapidly growing divisions.

HEAD - SOFTWARE DIVISION

The software division is engaged in developing packaged software products, customized software and providing on-site consulting services. The Software Group has executed various software projects in USA, Singapore, Switzerland and India and work extensively with Microsoft & Oracle technologies to create solutions for various Industry verticals. We are in search of a person who will head the Software division and manage all business development and techno-commercial relationships with institutions. He/she should have an urge to operate on a global scale and should be well acquainted with the latest global technology trends and markets. The position would report to the Managing Director.

Location : Chennai

HEAD - INTERNATIONAL MARKETING

As Head of International Marketing for the Software Division, you will be responsible for strengthening the company's base in the European, US and Far East markets and would be responsible to expand the company's business horizons worldwide. As a member of the senior management team, you will be responsible for establishing alliances, partnerships, joint ventures and development facilities for global clients. We want on board an extremely dynamic and experienced marketing professional in his/her mid thirties who should essentially have extensive knowledge of International Markets and Business Applications. The position would report to the Head - Software Division.

Location : Chennai/Bangalore

HEAD - E-COMMERCE SOLUTIONS GROUP

The company has identified E-Commerce and Web Technology as their focus areas for the future and have plans to build a team of over 100 professionals to provide end to end e-com solutions. We wish to identify a leader who possesses the technical skills to lead the team in providing business to internal, business to business and business to customer solutions. You should have the vision and the technical expertise to lead by example and will have to architect the team to provide E-Commerce solutions which will be the new economic order in the post millennium digital realm of business and transaction. The position would report to the Head - Software Division.

Location : Chennai/Bangalore

HEAD - GIS SOLUTIONS GROUP

Our client plans to be an active player in providing Geographic Information System Solutions to clients in India and abroad. This division will strive to provide real time solutions to enable "what if" analysis and facilitate decision making. We are in search of a software and a technical expert who must have the necessary expertise to develop this group to become a value added service provider for GIS/GPS applications. The position would report to the Head - Software Division.

Location : Chennai/Bangalore

VICE PRESIDENT - SALES & MARKETING

This position calls upon leaders who will head the Sales & Marketing for the Indian operations of the Group and would be responsible for identifying and strategising business opportunities for this division. You would spearhead the entire Indian Marketing operations and be responsible for realizing the company's goal of being a US$125 Million company by the year 2005.

You should be in your mid thirties with an MBA from a premier institute having extensive experience in business development and sales & marketing functions. We are looking for a proactive and dynamic leader with a competitive attitude and knowledge of the latest technology trends like ERP, E-Commerce, Networking or Groupware solutions and who will be instrumental in creating a new paradigm in the IT industry by bringing together the diverse building blocks to provide comprehensive solutions for customers. The position would report to the Managing Director.

Location : Pune/Chennai

REGIONAL BUSINESS ENTITY MANAGERS

We wish to identify Regional leaders for Mumbai, New Delhi and Chennai who will architect and develop their respective regions. They will be responsible to constantly strive towards providing the latest in technology and offer competitive end to end solutions. They will have to spearhead the entire regional activity and would be responsible for increasing the company's visibility and market share as an Integrated IT solution provider. They would be reporting to the Vice President - Sales & Marketing, Indian Operations.

Location : Mumbai, New Delhi and Chennai.

Our client offers competitive compensation, opportunities to grow and the freedom to pioneer solutions.

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The ideal candidate should be a graduate engineer (electrical / mechanical / production) with a management degree. The person should have about 10 years experience, and a proven track record in production management and marketing, preferably to the defence and telecommunication market.

The position carries attractive compensation, performance - linked bonus and perks, apart from providing the challenges. Please apply in confidence within 10 days to :

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Alan Associates - Resourcing Division
12/43 Hermes Paras, Kalyani Nagar, Pune : 4110 14.Tel : +91-20-5886438
Fax : +91-20-6680460 email : aland@vsnl.com

Mumbai - Tel 4918499 Delhi - Tel 6480224

GLOBAL MNC - FMCG

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BRAND MANAGERS

Metro City **CTC : Rs.6.00 L - Rs.9.00 L p.a.**

Candidates should be post-graduates in management from premier institutes (IIM, XLRI, FMS, etc.) with a brilliant academic record and relevant experience of 2-6 years, specifically in large **Multinational / Indian FMCG companies.** Proven experience in launching and nurturing new brands essential. Accent is on high degree of conceptual ability, strong interpersonal & communication skills and proven record of achievements. Age : Around 30.

RSMs / ASMs

Metros / Major Cities **CTC : Rs.4.00 L - Rs.12.00 L p.a.**

Candidates should be post-graduates in management from premier institutes (IIM, XLRI, FMS, etc.) with a brilliant academic record and relevant experience of 3 - 10 years in **sales & distribution** in large **Multinational / Indian FMCG companies.** In the case of RSMs, candidates should have handled atleast two states. Accent is on excellent team & distribution management skills. Thorough familiarity with markets, market trends and consumer behaviour essential. Age Group : 25 - 35.

Please apply with detailed bio-data marking envelope with appropriate job title.

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Consumer & Services Practice

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Tel : 433 4146 / 432 1913 ; Fax : 433 7862.

Hyderabad - Tel 7604514 Bangalore - Tel 550755 Pune Tel 634327 Coimbatore - Tel 433514

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General Manager - Human Resources,

Malayala Manorama Co. Ltd., PB No. 26, Kottayam-686 001, Kerala

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FILMS/HOLLYWOOD WESTERNS

Ride them cowboy

Kurt Russell in his *avatar* of Wyatt Earp shouts at one of his antagonists from the Clanton family, "Tell him I am coming after him and hell is coming with me!" That sums up the magic and fury of westerns in Hollywood's pantheon of cinematic excellence. *Tombstone*, which starred Russell and Val Kilmer as the tuberculosis-affected Doc Holliday, recaptured the magic of the western replete with gunslingers and frenetic action scenes and though it was inordinately long for a Hollywood movie, the fascinating genre of cowboy films was relived through it. Professional pugilist Archie Moore and Charles Bronson involved in a slugfest in a running train in Alistair Maclean's screen adaptation of *Breakheart Pass* or the last half hour of gunfighting in the Duke's (John Wayne) ever-memorable performance in *True Grit* or the ultimate *tour de force*, Alan Ladd as Shane — these memories resound. With AXN (or Action TV) bringing westerns like *Yuma* and *The Professionals* to our living rooms in rapid succession, the interest in this genre has been rekindled. For the benefit of the readers, we are showcasing some of the popular westerns which captured the heat and dust, blood and gore of one of Hollywood's favourite type of cinema. This writer, a keen western cognoscenti presents some of his favourites in conjunction with Leonard Maltin's *Movie & Video Guide*:



SHANE (1953): Directed by George Stevens starring Alan Ladd, Jean Arthur and Jack Palance. Former gunfighter Ladd who comes to the defence of homesteaders and is idolised by their son, Palance, is unforgettable as the creepy hired gunslinger. The movie, based on the Jack Schaefer novel, won an Oscar for cinematography.

BREAKHEART PASS (1976): Directed by Tom Gries starring Charles Bronson, Ben Johnson, wife Jill Ireland, Richard Crenna. Slambang action western, set mainly on a train, it has Bronson as an undercover agent seeking gun runners and confronting a false epidemic. *Under Seige 2* saw karate star Steven Seagal cloning Bronson.

GUN FIGHT AT O K CORRAL (1957): Directed by John Sturges, starring Burt Lancaster, Kirk Douglas and Rhonda Fleming. Stimulating western filled with tense action sequences in a reenactment of the Doc Holliday-Wyatt Earp battle in streets with the Clanton gang, in *Tombstone*. Written by Leon Uris, it was remade as *Tombstone* many years later.

THE GUNFIGHTER (1950): Directed by Henry King, starring Gregory Peck, Helen Westcott and Jean Parker. A classic psychological western with Peck in the title role, most impressive as the gunslinger trying to overcome his bloody past.

HIGH NOON (1952): Directed by Fred Zinnemann starring Gary Cooper, Thomas Mitchell and Lloyd Bridges. On his wedding and retirement day, marshal Cooper learns that a gunman is coming to seek revenge. Though he has good excuses for leaving, he feels a responsibility to stay and face the gunman — but no one is willing to help. The story appears to unfold in real time and is considered a legendary western drama with Cooper bagging an Oscar.

BUTCH CASSIDY AND SUNDANCE KID (1969): Directed by George Roy starring Paul Newman and Robert Redford. Delightful seri-comic character study masquerading as a western; outlaws Newman and Redford are pursued by relentless but remote sheriff's posse. Won several Oscars.

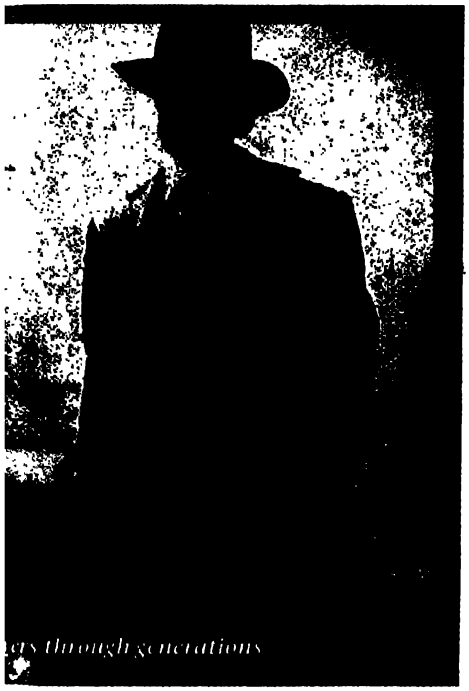
TRUE GRIT (1969): Directed by Henry Hathaway starring John Wayne, Glen Campbell and Kim Darby. Film version of Charles Portis' wonderful novel about an over the hill marshal who helps a 14-year-old track down her father's killer. John Wayne gives a standout performance.

RIO BRAVO (1959): Directed by Howard Hawks starring John Wayne, Dean Martin, Angie Dickinson and Ricky Nelson. Sheriff Wayne tries to prevent a killer with connections from

escaping from the town jail, with only a drunken Dino, leggy Angie, gimpy Walter Brennan and Lockjawed Ricky to help him. Quintessential Hawks western, regarded as an American classic, overlong but great fun.

HOW THE WEST WAS WON (1962): Directed by John Ford, Henry Hathaway and George Marshall, with an all-star cast led by Henry Fonda, Gregory Peck, James Stewart and John Wayne. Blockbuster epic about three generations of western pioneers with first rate photography. Won several Oscars as George Peppard stood out with excellent portrayal.

MAGNIFICENT SEVEN (1960): Directed by John Sturges starring Yul



Brynner, Steve McQueen, James Coburn and Charles Bronson is the popular western remake of *The Seven Samurai* (remade in India as *Sholay* and *Karma*) about paid gunslingers who try to rout the bandits who are devastating a small Mexican town. Great cast of young turks who became superstars later.

YOUNG GUNS (1988): Directed by Christopher Cain starring Emilio Estevez, Keifer Sutherland, Lou Diamond Philips, Charlie Sheen. A tale of six young punks, taken under the wing of a civilised British gentleman (Terence Stamp), find it hard to retain their equilibrium when they are left on their own, and whipped into a frenzy of violence by their newest recruit William Bonney soon to be rechristened Billy the Kid (Estevez). Watchable with several impressive performances.

MACKENNA'S GOLD (1969): Directed by J. Lee Thompson starring Gregory Peck, Omar Sharif, Telly Savalas is an overblown adventure saga about the search for a lost canyon of gold, with doublecrosses, conflicts, mysterious clues etc. Super cast saddled with ludicrous script, made worse by pre-release tampering that cut extremely long film.

RIVER OF NO RETURN (1954): Directed by Otto Preminger starring Robert Mitchum, Rory Calhoun and Marilyn Monroe with the former rescuing the latter from leaky raft, Calhoun returns favour by stealing his horse and abandoning them (and Mitchum's young son) to hostile Indians. Intense chemistry between Mitchum and Monroe.

THE PROFESSIONALS (1966): Directed by Richard Brooks starring Lee Marvin, Woody Strode, Ralph Bellamy and Burt Lancaster. Ballamy hires four soldiers of fortune to rescue his wife from Mexican varmint Jack Palance. Far-fetched story, real action with excitement throughout.

THE TALL MEN (1955): Directed by Raoul Walsh starring pin-up girl Jane Russell, Clark Gable, Cameron Mitchell and Robert Ryan. Large scale western with all three protagonists fighting for the lady's love.

OUTLAW-JOSEY WALES (1976): Directed by Clint Eastwood and starring him. Long violent western set in post-civil war era where Eastwood is a peaceful farmer whose family is murdered. He turns vigilante and a cat and mouse chase odyssey begins.

FISTFUL OF DOLLARS/FOR A FEW DOLLARS MORE/THE GOOD THE BAD AND THE UGLY (1964 saw the first of the triology): Directed by Sergio Leone, this spaghetti western series turned Eastwood into a global phenomenon as the laconic Man with No Name, a tough gunslinger who is not only violent but stylish.

THE MISFITS (1961): Directed by John Huston starring Clark Gable, Marilyn Monroe, Montgomery Clift. Unsatisfying but engrossing parable authored by Arthur Miller involving disillusioned divorcee Monroe and her brooding cowboy friends. Both Monroe and Gable's last film.

UNFORGIVEN (1960): Directed by John Huston starring Burt Lancaster and Audrey Hepburn, this western, set in the 1850s Texas, narrates the tale of two families at odds with Indians over Hepburn, whom the latter claim as one of their own. Packed with a stellar star cast, the film culminates in a rousing Indian attack scene.

UNFORGIVEN (1992): Directed by Clint Eastwood starring himself, Gene Hackman, Richard Harris and Morgan Freeman. Elegiac anti-western about a one time mad killer long since reformed, who comes out of retirement to make one more hit because he needs the money for his family. Powerful examination of morality and hypocrisy in the old West, won a clutch of Oscars.

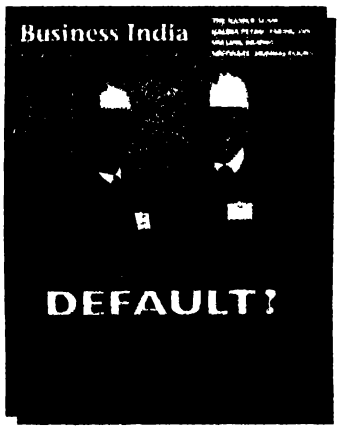
DANCES WITH WOLVES (1990): Directed by Kevin Costner and starring himself. Altogether extraordinary film, over three hours long about an idealistic young civil war soldier who makes friends with a Sioux Indian tribe and eventually becomes one of them. Another movie which won a slew of awards at the Oscars.

HOMBRE (1967): Directed by Martin Ritt and starring Paul Newman and Fredric March. Interesting western from an Elmore Leonard story of the Indian raised Newman trying to survive in the white man's world in Arizona circa 1880. Encounters with various characters on a stagecoach provide basis for film's action.

HANNIE CAULDER (1972): Directed by Burt Kennedy starring Raquel Welch, Robert Culp, Ernest Borgnine. A bizarre, mythical western about raped widowed woman who begs bounty hunter Culp to teach her to shoot so that she can seek vengeance.

VIVA ZAPATA (1952): Directed by Elia Kazan, starring Marlon Brando, Anthony Quinn and Jean Peters. Traces Mexican peasant's rise to power and eventual presidency with Quinn winning an Oscar as Brando's brother.

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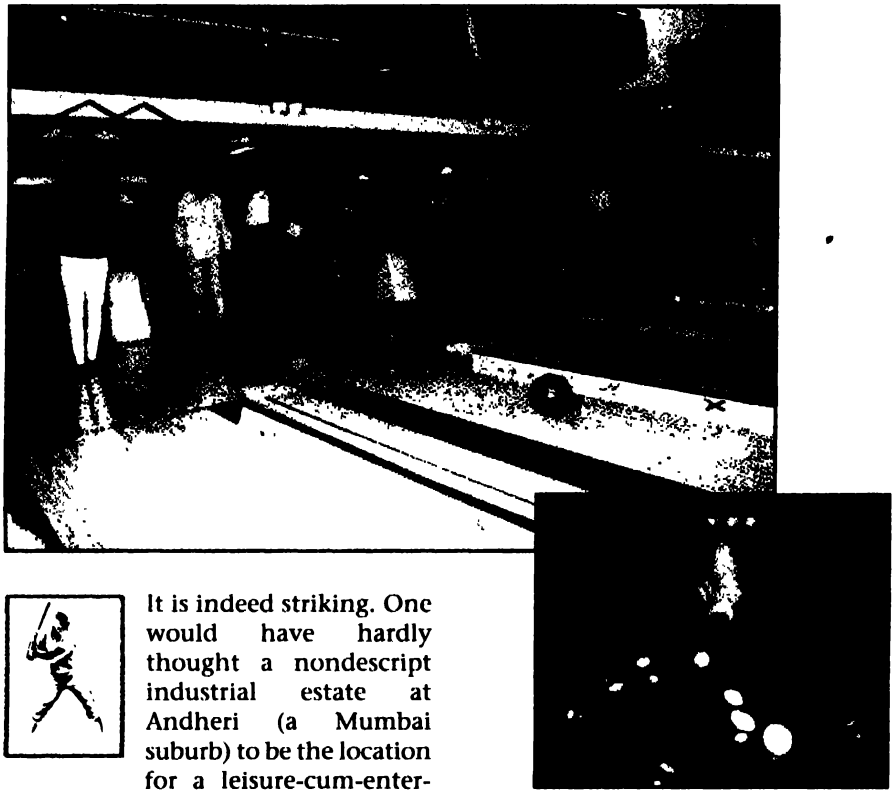
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Simply bowled over



The need for an entertainment centre is behind the creation of "Strike 10"

It is indeed striking. One would have hardly thought a nondescript industrial estate at Andheri (a Mumbai suburb) to be the location for a leisure-cum-entertainment centre. Called 'Strike 10', the place was thrown open to suburbia last month. And it has turned out to be quite a crowd puller. The crowd that patronises the place just goes to show how Mumbaites are starved of good leisure choices. Floated by the Lavlesh Classic group, which is engaged in property development and automobiles, the centre boasts of a six-lane bowling alley, a theme party lounge and a kiddies section equipped with virtual reality games. Pool tables and a cafetaria have also been thrown in for good measure. All this required an investment of Rs4 crore.

Rajeev Anand, the group's managing director, says that Mumbai city, particularly its suburbs, has witnessed a major mushrooming of pool parlours which are absolutely cramped with hardly any facilities. "What was missing was a complete family entertainment centre and we have tried to fill that gap," he says.

The ambience is indeed astonishing. The place is well lit and the air-conditioning in some pockets really gets to the bone. "But that's the way it has to be when people patronising the place get pumped up when taking a strike at the pins," says Anand. The place, say some regular visitors, is well laid out. "It's a fantastic place in this part of town," butted in an industrialist's son during the informal chat with Anand. The bowling alley has been sourced from Brunswick, the second largest company in its field after AMF Bowling.

Bowling has been slowly spreading with several alleys coming up all over the country. According to an independent study done by the Delhi-based Feedback Strategic, a research and consultancy outfit specialising in leisure and entertainment industry, at present there are about 200 bowling alleys in the country and the potential is immense. "Mumbai has the potential to absorb 600 lanes," states the study. One is simply bowled over by the potential.

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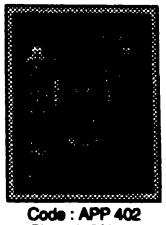
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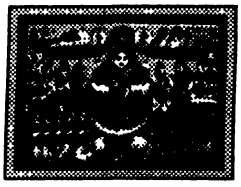
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The 'instinct' edge



KILLER APPLICATION CORPORATE INSTINCT

By Thomas M. Koulopoulos, Richard Spinello, Wayne Toms
Published by Jaico Books
Price Rs750

Instinct in many ways drives corporate leaders into taking decisions — good, bad, ugly and indifferent. Decisions which can solve logjams or decisions which can have a far-reaching impact on their businesses. Lately we are seeing first generation entrepreneurs display instinct and strategic intent which is helping them build a knowing enterprise. The book under review reckons that corporate instinct is a set of tools, skills and attitudes that can be developed, sharpened and adapted for success by any company. This reviewer's contention is that while instinct is inherent, the only tool required is the whetstone of the rapidly changing world of contemporary business.

Take Subhash Chandra of Zee TV. He has constantly innovated and instinctively conducted his business dealings to emerge in pole position. Or take Rupert Murdoch, who has globally acted instinctively to take his media business to the highest level of competency. His acquisitions the world over, the strategic implications of which carping critics constantly fussed over, have always resulted in profits and pluses. Murdoch has been predator, his goading ambition remaining that he should have a media footprint which not only encompasses the world, but incorporates all available technologies. Chandra is attempting the same thing at home, believing that media convergence will be all pervasive in the new century.

The writers led by Thomas Koulopoulos (who *Information Week* magazine has described as one of the six most influential consultants) give the example of Microsoft, led by that savvy and shrewd aggressor Bill Gates. The writers state that in the 1980s and 1990s Microsoft's user interface was clearly overmatched by Apple's. Still later, its inferior Internet strategy put them behind Netscape. Yet, Microsoft has emerged as a strategic winner, despite lagging behind initially.

The question always asked is: how do shoestring computer start-ups like Microsoft, Dell, Compaq and Acer overtake giants such as IBM, Wang and Digital? Many believe that Bill Gates, Michael Dell, Eckhard Pfeiffer and Stan Shih have that element of instinct which not only propels organisations forward, but also changes the course of business ethos. Take Bennett, Coleman & Co's (the Times of India Group) Samir Jain who has over the last 15 years or so constantly revolutionised the publishing business in this country from a low-tech and low profit industry into a radically upmarket and highly profitable business. At every step, Jain has shown instinctive flair and risk taking ability, consigning the baggage of the past, cutting the umbilical chord to move forward on the edifice of good management and technology. Or Nirma's Karsanbhai Patel, a humble yet brilliant strategist who took on the might of MNC managers by teaching them all about low cost, mass-based product marketing.

The writers claim that three key concepts are vital — corporate instinct which is often construed as sixth sense, the knowledge chain and the knowing enterprise

Indian biz is evolving, several industrial groups which were top of the pops till very recently have had their positions usurped by wannabes and upstarts. What makes a company tick? Suzerainty has been shaken, new entrepreneurs have moved to the vanguard of Indian business. The book under review is a rapid reader of what transpired in the American context. The writers claim that any idea to be accepted has to grow and develop, in order to stand the litmus test of reliability and truth. Increasingly there is a grey area between competence and complacency. To leapfrog, one has to have common attitudes, organisational support systems and an open mind to new ideas. The troika of writers claims that three key concepts are vital locomotives — corporate instinct which is often construed as sixth sense and in many ways is nothing but killer application, the knowledge chain and the knowing enterprise which is how highly proactive and alert companies have been characterised.

The authors say that these companies also exhibited an ability to obliterate their past and unlearn their paradigms, as also their own hobby horses and allowed tunnel vision to be swept away by new ideas to cater to the changing markets they operated in. So, we have a situation where corporate instinct is a concrete set of tools and a unifying framework that enables organisations to react and reform on a continuous basis at every level. This is something that this reviewer is not comfortable with for according to him it is jargon. For instinct is killer application which provides the breakthrough benefit. It cannot be compartmentalised. In fact, all that has happened in Indian business and industry over the last decade is a fascinating subject for a similar treatise. Any takers?

To come back to the book, the authors provide a road map that will help you reorient and develop the jagged edge of your corporate instinct. Once again highly unlikely, for situations and strategies vary from company to company, sector to sector and country to country. This book is a result of a thorough study undertaken by the authors and is backed by several examples and case studies. Taking advantage of opportunities remains an integral part of corporate instinct, but the knowledge chain is equally important for by focusing on one's warts and speeding up innovative urges and competitive skills, you can respond not just to internal challenges, but also market situations. Geoffrey James in his seminal work *Giant Killers* states: "The electronic

lite are living examples that not nly is success in the Information ge compatible with enlightened usiness practices, but also that it is ependent on them. The cynical old ules of the traditional corporation ave simply become obsolete. The orporate cultures of the electronic lite companies are built on respect or the individual." That is precisely why the Dow and, increasingly, the ensex are rewarding knowledge-based companies.

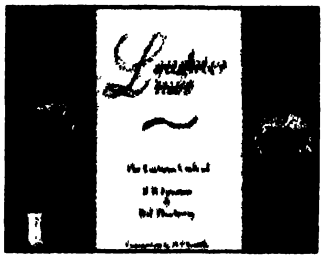
The authors also discuss the role of metaskills and advanced practices which are required to balance the chaos with the necessary coordination of organisational resources. In another key area of the book, the economic and social imperatives to create corporate instinct is discussed. Bill Gates has a very simple philosophy which sums up this culture of transformation that is sweeping the globe. He says, "Businesses will have greater access to global resources. This means getting precisely the right information and people for every job — and increasing productivity and quality."

In the end, it would be pertinent to add that Bill Gates does not run Microsoft, but leads it. As he says, "At Microsoft, the role of management is to spot emerging trends and set the future direction of the company. The most important and exciting part of my work as chairman is recognising what we call sea changes and articulating the opportunities they present to each person in the company." That is the key component of corporate instinct. Interestingly, it is Indian entrepreneurs who are now beginning to show the world that they too possess this magical potion — whether it is a start-up which can turn into a ybercorp like, say, Narayan Murthy, andan Nilkeni and company at nfosys or the late Dr Parvinder Singh, hose well calibrated responses to the ynamic and ever evolving business ok his organisation forward or Brij ohan Munjal who realised that ontemporary styling and design do atter in the Indian context. ndoubtedly instinct is a compelling tionale, a pivot in modern business actices.

◆ SANDEEP BAMZAI

A smile or a grimace?

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Take a shrewd politician, a great cartoonist and a famed writer. Mix the three together and you have a heady cocktail, right? Wrong. For *Laughter Lines* which relies on the caricaturing skills of Bal Thackeray and R.K. Laxman and the writing calibre of M.V. Kamath, fails to create the right kind of crease around the lips of the reader. If anything, it makes the reader grimace.

To understand the *raison d'être* behind the book, if any, a brief bio on each contributor would be in order. Many many moons ago, Thackeray and Laxman were cartoonists at the happening paper of the day, *The Free Press Journal*. While Laxman subsequently made the lampooning of all and sundry the leitmotif of his life, Thackeray went on to espouse the son of the soil cause turning into the champion of the Maharashtrians.

However, Thackeray's link with journalism persisted, with his party's mouthpiece *Saamna* becoming the vehicle for his ideology. His caricaturing skills came into ample play in this party magazine. R.K. Laxman needs no introduction. A household name for many decades now, Laxman's pocket cartoon *You Said It* in Mumbai's biggest newspaper *The Times of India*, is something without which the reader of the daily finds it difficult to start his day.

So, if both Thackeray and Laxman are great cartoonists, why shouldn't a compilation of their efforts set the cash registers ringing? The reasons for this failing to happen are several. The main shortcoming of the book is its faulty conceptualisation. While both Thackeray and Laxman are sharp cards now, it must be remembered that more than 30 years ago they were just starting off their careers. Reproducing works of that era is bound to reflect the state-of-the-art of beginners. It surely does.

Laxman's cartoons in the book are a pale shadow of what he is capable of today. Ditto with Thackeray. Any book associated with Thackeray and Laxman is bound to raise great expectations. So the book should have contained their greatest works. Sadly, such is not the case.

In retrospect, were great cartoons of Laxman deliberately left out to avoid showing Thackeray in an unfavourable light? (It must be remembered that while cartooning is Laxman's *raison d'être*, it is not one of the main activities of politician Thackeray.) If so, what was the need for a joint effort at all? One could just as well have separate books on each cartoonist's works. Comparing Laxman with Thackeray is not fair at all, especially to the former. It is like comparing renowned writers like K.A. Abbas, R.K. Narayan or V.S. Naipaul with Jawaharlal Nehru merely because Nehru had a passion for writing.

Apart from faulty conceptualisation, the book is also marred by bad execution. The foreword comprises merely a small bio-data of both artists and a brief history of *The Free Press Journal*. It is a thorough public relations exercise, not worthy of being penned by a talented writer such as M.V. Kamath. Not satisfied with wasting Kamath's talents on the foreword, the publisher has found further ridiculous use for the otherwise polished scribe.

All the cartoons carry comments by Kamath, which do not make any sense at all. Are such comments necessary? Is a visual not supposed to be worth a thousand words? Should any cartoon require a comment, one can well imagine its quality. Such comments are an insult not only to the artist but also the reader. The only purpose of the comments seems to be to include Kamath in the book in some manner, with the view of making the book more saleable.

Laughter Lines is the latest example of the publishing industry resorting to a marketing gimmick, to cover up what is lacking in content. It is akin to the remixes of old hit Hindi songs which crowd the shop shelves of music stores today. Only this is in reverse.

◆ ROY VARGHESE

Thinking up an identity



PALASHRANJAN BHAUMICK

Shombit Sen Gupta of Calcutta and Paris is more known for the colourful and dashing new corporate identities he has given companies such as Lakme, Wipro and Britannia. Art is the foundation of his work. And, after a gap of 17 years, he will be holding a solo art exhibition in Mumbai at the Jamaat art gallery. This time round, Sen Gupta is creating an identity for himself — a thoughtogramme. What's that? "I have invented the word," he says. "I wanted to find a place in the world of art where I could fit in with my own distinctive style of putting down my thoughts on canvas," he adds. The show takes off in Mumbai at Jamaat later this month to be followed by shows in Paris, New York and Tokyo. •



Simi's coup

It will be a different kind of a rendezvous. The guest is neither a politician nor a film-star, but someone whom *Asia Week* calls the 'new hero' in business and finance from India — Anil Ambani — and wife Tina. The Ambanis are the fourth of the blue-blooded businessmen interviewed by hostess Simi Garewal on her eponymous show, the others being Ratan Tata, Kumarmangalam Birla, Yash Birla and Vijay Mallya. "This is a coup of sorts," gloats Garewal. "This is the first time that Anil has given a television interview and may be the last," she adds. Do pinstriped businessmen really quite fit into the celebrity mould? "There is a whole generation fascinated by these people and want to know how they've made it in life. And they want to learn from their success stories," argues Garewal. The three-episode Ambani interview marks the end of the Rendezvous season. Many more blue-blooded businessmen in the new millennium, promises Garewal. •



SANJAY BORADE

Such a long journey

"Life gets in the way of art," says one of the characters in Harish Saluja's first film *The Journey*. True, perhaps, but it is certainly not true of the filmmaker who says, "I've been an artist all my life." Armed with an engineering degree from IIT Kharagpur, Saluja left for the 'land of opportunities' in 1971. Reaching New York, he discovered that the only job he could land was as an illustrator for a technical magazine. At the age of 51, two years ago, he realised a dream that he had nurtured since 1963, after he saw Satyajit Ray's *Teen Kanya*. In the interim period, Saluja has painted furiously, bandied with the prose form, and hosted a weekly two-hour long programme on Indian music for Pittsburgh Radio. Saluja's *The Journey*, which was screened at both the Mumbai and Thiruvananthapuram film festivals last year, has finally got a commercial release after a period of two years. Saluja is now planning three new films, one with an Indian theme, while the other two deal with the idea of 'unconditional love'. •





UMESH GOSWAMI

A cut above the rest

A fashion designer penning a book, and that too one on India's rich legacy in textiles. Calcutta-based designer Ritu Kumar of Ritu's boutique, has done just that. Last fortnight, her book *The Costumes and Textiles of Royal India* was launched in Mumbai, accompanied, appropriately in this case, by a fashion show. It was a show with a difference, encompassing Kumar's work and highlighting the contribution of traditional craftsmanship. A lot of hard work has gone into the encyclopaedia-like work, and it shows. "It wasn't something that I could have asked someone else to do," says Kumar. Four years of research and putting it together, the book is more of anthropology told through textiles. "I hope the contents of the book will focus attention on the need to keep the legacy alive," she adds. Her next project is an attempt to revive weaving, which was high on the national agenda at one time. Hope it's not a requiem. •



UMESH GOSWAMI

...king on art

It's not often that bankers invite us to art shows. Yes, there are some banks that pay tribute to the finer side of life in their foyers (notably, Deutsche Bank), but bankers as art promoters is surely a rare breed. Meet one of them: Pradeep Saxena, managing director of ING Barings. Saxena, along with wife Sunita, hosted a preview of artist Raj More's work last fortnight. "Banks should do something different," says Saxena, who admits that his passion is fuelled by his wife's interest in art. It was Sunita's keen eye that spotted More at the Jehangir art gallery. ING as a group has a huge art collection of some 5,000-odd works, ranging from the impressionist and classical to the new school. To this will be added Raj More's earthy and vibrant work. Thanks to the Saxenas. •

"I'll bounce back"

Notwithstanding the none-too-impressive performance of his Nationalist Congress Party (NCP) in the recent elections, **Sharad Pawar**, the 58-year-old Maratha overlord, is confident that his political stature has remained intact. For one who had aspired for deputy prime ministership, if not prime ministership, his fledgling NCP could fetch him but six Lok Sabha seats in a house of 538 and 58 legislative assembly seats in a house of 288. Undeterred, Pawar tells **Sarosh Bana**, in an interview just before *Business India* went to print during the prolonged uncertainty that delayed government formation in Maharashtra, that he is certainly no spent force. In his pocket borough of Baramati near Pune, Pawar garnered 5.11 lakh votes, sweeping aside the BJP's runner up, Dr Pratibha Lokhande, whose tally was 2.12 lakh

Q *Does the poll verdict indicate that you miscalculated voter response?*
A Not at all. The NCP was formed on 10 June and within two months we were engrossed in identifying nominees for both the general and state elections. Naturally, organisational problems arose and I was unable to reach out to all parts of the state, let alone the country as a whole. Nevertheless, my colleagues and party workers exerted themselves to the utmost and gained for us the second largest (after their rival Congress) vote tally of 75 lakh. While the Congress secured 75 seats, we bagged 58, the Shiv Sena 69 and its poll ally, the BJP, 56. I cannot be disappointed with such an outcome.


SANJAY BORADE

Q *You probably disagree then that you and your party are little more than "nuisance value" on India's electoral scene and that your combined political future is not too bright?*
A If anyone thinks we are a spent force, they are deluding themselves. Any political party building itself up from scratch requires reasonable time to make its mark. Our priority right now is to concentrate our energies fully on building up the NCP from the grassroots level, both in Maharashtra and outside. In this regard, we will address issues that affect the common man most.

Q *So you will bounce back?*
A Yes, I will bounce back.

Q *Do you feel the BJP-Sena combine failed in its four-and-a-half-year rule in Maharashtra?*
A Again, the poll results underscore their wide-ranging failures on several fronts. The people of Maharashtra have been grossly disenchanted by their misrule. Maharashtra's financial health has never been worse, they have set back the state's primacy as the most preferred investment destination and they have emptied the state treasury.

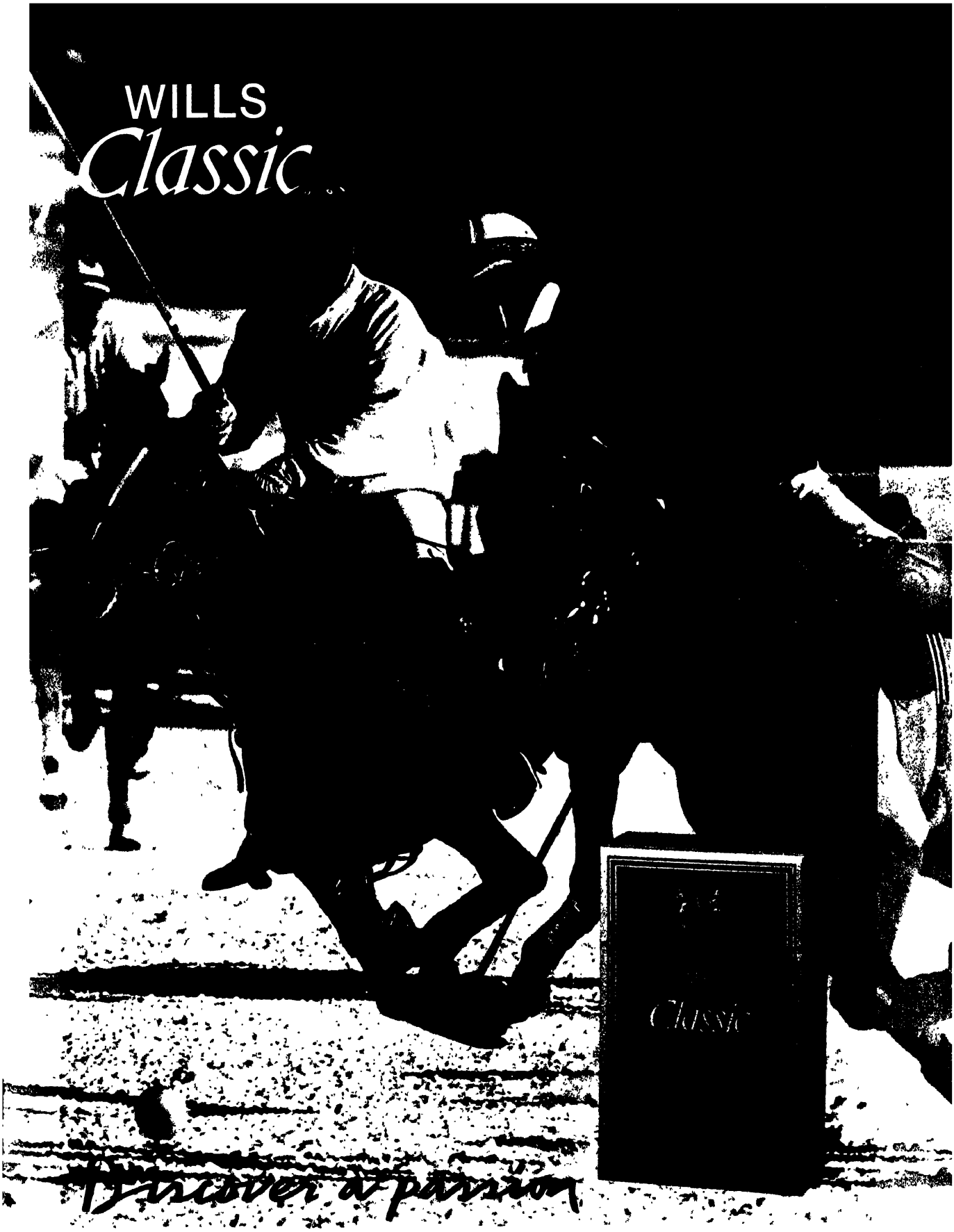
Q *Your break with the Congress was primarily on the issue of Sonia Gandhi's foreign origins. Do you believe that you succeeded in making this a viable electoral issue?*
A The results speak for themselves; the Congress's tally of 112 seats was the most miserable in its 113-year-old history. This evidently indicates that her leadership is suspect.

Q *Don't you think that Gandhi and her party colleagues evidently see it differently as they lost no time in installing her as the Congress Parliamentary Party (CPP) leader?*
A That is their internal matter.

Q *If your proposed alliance government with the Congress in Maharashtra materialises, will you vote with the BJP-led National Democratic Alliance (NDA) at the Centre on amending the Constitution so as to deter people of foreign origin from India's highest government offices?*
A Our NCP manifesto is explicit on this issue and we will cooperate with any party that proposes such an amendment. Our alliance with the Congress at the state level will have no bearing on the way we vote. After all, they are fully aware about all the submissions enshrined in our manifesto.

Q *How do you explain your current overtures to the Congress when, soon after your split with that party, you had told* Business India *that there was no question of either allying with it or the BJP in future?*
A We are certainly not happy in seeking a tie-up with the Congress in Maharashtra. But the exigencies of the voter verdict have pushed us into this situation where we see no option if we are to have a stable viable government in Maharashtra. Even so, the unreasonable approach of the Congress in our talks on government formation has sapped our confidence in establishing a government in the state.

Q *Suppose you do cobble together a government, do you believe it will last its full term?*
A This will depend entirely on the behaviour of the Congress. After all, it will be the Congress that will be leading the alliance.



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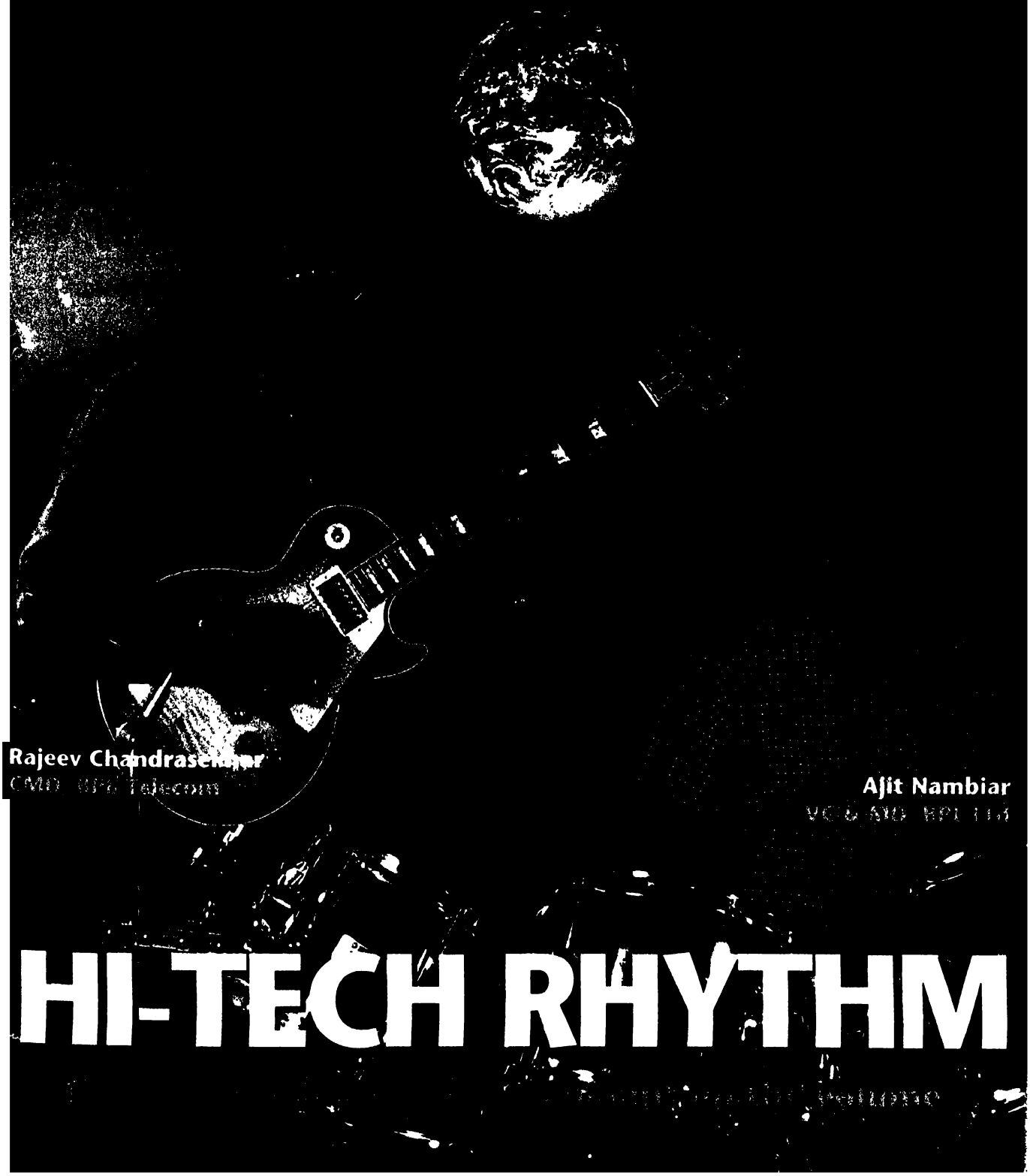
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Business India

When a new generation – Ajit Nambiar, son of promoter T.P.G. Nambiar, and his son-in-law Rajeev Chandrashekar – took over the reins at the BPL Group, there were reservations in some quarters about their ability to work in tandem. The two were markedly different in personality and approach. The only thing they seemed to share was a love for technology and the ambition to take the group forward.

The affinity for technology has made itself evident in the array of hi-tech products that the BPL Group has now on offer. It's been a long journey. From a single unit, manufacturing a single product – hermetically sealed panel meters – in Palakkad, the erstwhile British Physical Laboratories India Pvt Ltd is now a multilocation, multiproduct group nudging a turnover of a billion dollars.

Yet, to say that the BPL Group has been riding high on technology alone would be a mistake. It is the backbone, no doubt. But the real success of the duo in charge has been in the marketplace. In the early part of this decade BPL was regarded as a vertically integrated organisation that was predominantly manufacturing-oriented. Today it has won its marketing spurs; it is brand BPL that is the hero. In fact, an exercise done by Trisys, an independent brand consultant, has valued the BPL brand at Rs1,182 crore.

BPL is more than just an Indian brand, however. Goaded by a strong components base, it is hawking computer monitors to the US and Latin America, alkaline batteries to Japan, Germany, and the UK, picture tubes to Europe, consumer electronics and durables to West Asia, and software solutions to the UK and the US. Much of this is under the BPL brandname. The group has also acquired for $3 million a 300,000-sets-per-annum CTV unit on the outskirts of London. This is a first for BPL, but is definitely the beginning of a serious transnational agenda.

However, critics of the group feared that it was in too many products, or too wide a range. This was particularly risky with its penchant for umbrella branding. There are 232 products and brands in the BPL stable, straddling several unrelated categories. As a soft drinks major discovered when it tried to sell candy several decades ago, you can stretch a brand only thus far. For while volumes drive the topline, there is continuous pressure on the profits.

Amid a lot that is going right, the other blemish in the strategic plan appears to be the diversification into power. Things have been moving very slowly. But this may be partly because of the government's dithering over policy issues. In any case it is not at all clear whether a group like BPL should be in power at all.

Apart from components and consumer durables, the clear success of the group at home has been in the telecom sector. Where several majors, including MNCs, have been bleeding, BPL Mobile has started making profits. What has stood them in good stead is the ability to raise dollar capital, a third of a billion in equity alone. It is more than likely that telecom services will be the real driver for growth of the group in the years to come.

in this issue

Accountancy	124
Banking	103
BI Index	20
Books	178
Businessmen in the News	34
Business Notes	38
Column	42, 98,100,128
Corporate Reports	76
Cover Feature	56
Credit Policy	109
CyberNews	22
Defence	144
Dhir's Page	50
Economy	51
Economic Indices	54
Editorials	13
Executive Focus	162
Executive Track	164
Feature	116
Finance	101
Focus	72
Follow-up	24
For Your Information	19
Government & Politics	44
HRD	122
Health	140
Infotech	127
International Briefs	161
Internet Addresses	146
Interview	184
Letters to the Editor	8
Listening Post	16
Management	120
Manufacturing	129
Media	125
Medicine	143
Marketing	112
Market News	150
Market Talk	153
Marketwatch	156
Mutual Fund Monitor	160
Newscast	30
People	182
Places	131
Retailing	111
Selections	175
Small-cap Stock	152
Special Report	64
States	133
Talking To	126

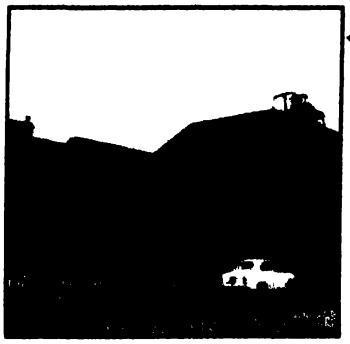
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Corporate Reports

76
SILVERLINE
The Silverline group is restructuring to improve perceptions

82
ROOFIT
From being a mere commodity player, Roofit has consolidated its position in the building products industry



89
RMC READYMIX
In a short span of three years, RMC Readymix has established itself firmly in the relatively new readymix concrete market

44
Government & Politics
• The CBI chargesheet opens up fresh fissures within the Congress in the absence of a coherent strategy

• Coalition pangs and opportunistic roadblocks cannot simply be wished away

101
Finance
Banks would stand to gain much from financing *badla* deals. However, the RBI is still a long way from granting the requisite permission

103
Banking
Fimmda is working hard at setting common standards for the money and derivatives market

109
Credit Policy
Yet again, Jalan does a balancing act

111
Retailing
Sector 18 in NOIDA is drawing shoppers in droves



94
ESSAR MINERALS
An Essar Steel spinoff gets into gear with the imminent entry of Stemcor, UK, as a majority shareholder



93
KSA TECHNOPAK
Management consultancy firm, KSA Technopak, is aiming for bigger times

112
Marketing
• Modi Revlon is pulling out all the stops to get a shade ahead of the competition

• CRY is a perfect example of successful cause-related marketing



116
Feature
Delhi's markets are awash with foreign candies and processed foods, not all of them legally imported. But that's not the only problem



13
Editorials
• The recent transport strike tried to hype the rise in diesel prices For the general public, however, the real impact will be minimal
• India's secular spirit is being put to a severe test by the ruckus that is being raised over Pope's visit to India
• Musharraf's ascendancy will see an escalation in cross-border terrorism

24
Follow-up
• Voltas getting back into shape
• Sebi spoils the party
• Indal into the big league

38
Business Notes
• The subscriber base for cellular operators is expected to go up as lower tariffs and free incoming calls come into play
• The recent increase in diesel prices has increased the urgency for manufacturers to make their engines more efficient
• Expo 2000 will showcase the evolution of technology and the solutions it offers for the solution of environmental problems
• The return of Portuguese bank Banco Naçional Ultramarino

184
Interview
Digvijay Singh spoke to *Business India* on a wide range of issues

COVER FEATURE
56

BPL's bold new face

Tomorrow's customers are being targeted by the BPL Group which straddles across varied products and services



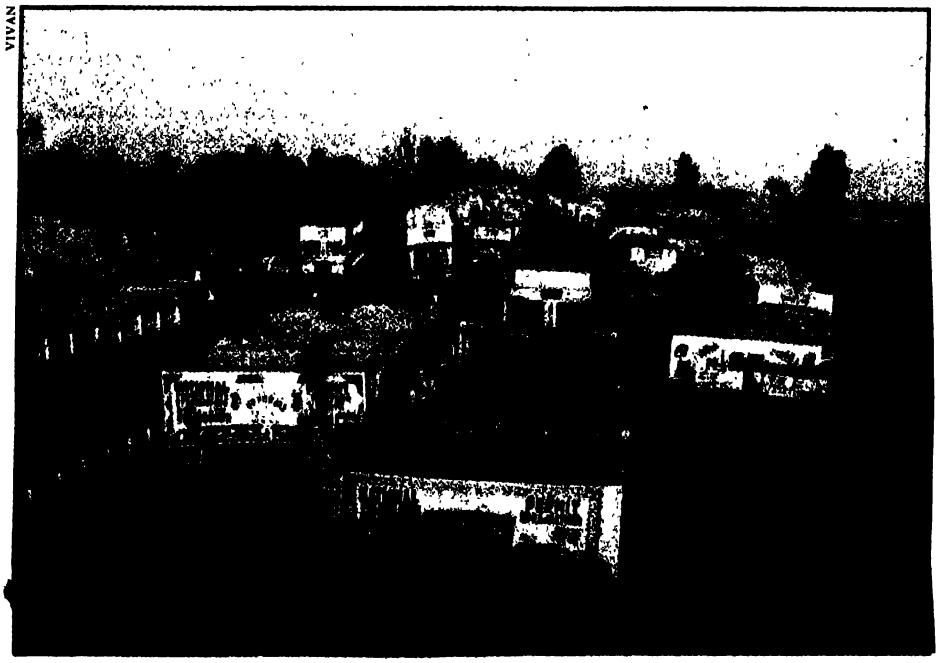
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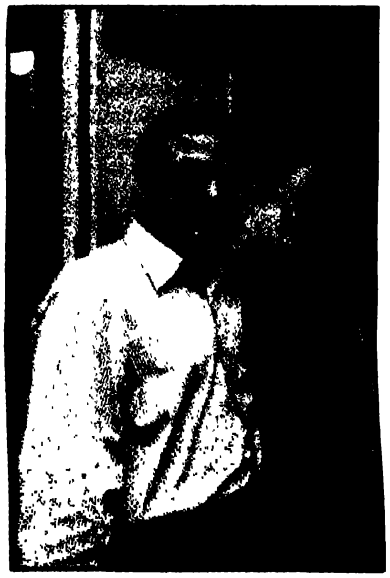
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SPECIAL REPORT
64

The recent strike by private transporters and its uneventful withdrawal on the pretext of certain sops by the government really calls for an examination



VIVAN



FOCUS
72

Ten years of moderate success belie the high expectations raised by the country's initiative in advanced computing



◆ MTNL rings true

From the Publisher (17 October) made interesting reading. MTNL's decision to introduce its own cellphone service has generated a hugely popular response, the major attraction this state telecom operator offers over the existing private sector cellular phone service providers being the immense price advantage. MTNL's proposed mobile phone service will be far cheaper than the existing cellular services of the private operators. Call rates, one-time price of the telephone instrument, monthly rentals, etc will cost far less than the private cellphone services. Consumers stand to gain immensely and it will be a great relief as it will be a formidable challenge to private operators from the public sector.

The private cellular operators will very likely complain of cross-subsidisation by MTNL of its proposed cellular service, but whatever be the outcome, MTNL has shown the lead and should stir up not just the nascent cellular telephone sector but the entire public sector as well.

BHAGWAN THADANI
Mumbai

◆ Revamp required

The basic infrastructural sector of telecommunications merits extensive revamp through effective government policies. As MTNL is part of the government machinery, it has to be in tune with government policy. In Delhi and Mumbai where MTNL operates, it is providing services very much alike the private services. Yet it has to incorporate the latest technologies to provide its consumers facilities beyond compare.

Cellular service is the most competitive line for MTNL, but it should not be overwhelmed by the phenomenal response in Delhi in respect of its bookings for cell connections, which had been suspended for some time should take into account the services provided by the private operators. MTNL is not the known name in other parts of the country. As there is tremendous scope in this field, MTNL should expand its operations in rest of India to extract the profits from existing as well as emerging opportunities. Similarly it should make the MTNL name investor-friendly in stock-markets of India by providing best possible returns besides looking for American Depository Receipts.

Due to focus on liberalisation it is possible govt. may allow, in future the private operators in basic telecom services as happened in the case of cellular, therefore, it is high time for MTNL to make MTNL a trusted household name all over India by expanding its lines as today telephone is a necessity for almost every Indian.

AKHILESH KUMAR SAH
Faizabad

◆ Loud and clear

The mandate in favour of the BJP and its allies in the just concluded Lok Sabha polls is loud and clear. The ruling coalition should take note of the public sentiment and speed up the administrative and financial reforms without delay. The Opposition would do well in playing a constructive role in shaping the destiny of the nation.

G. SUBRAMANIAN
Puvalur

◆ Don't eulogise

In your article on NIIT (19 September), you mentioned, with regard to an incident concerning its first student, that "it is precisely that credibility and willingness to stand behind the company's commitments that has taken them far beyond the simple concept of a company running computer training courses..."

My personal experience has been somewhat different. A few years back I had enrolled myself for a seven-day course on Powerbuilder. After we had paid up, it continued to be postponed. After several follow-ups, I was told that it would instead be a five-day course and that too on Powerbuilder basics. For advanced Powerbuilder, I was informed that I would need to enrol myself for another course.

As Indians, are we not too familiar with this attitude of Indian businessmen, their values and commitment? I am sure there must be more such instances.

K. B KAPADIA
Powai, Mumbai

◆ Irresponsible call

The loss to the country and inflation is going to be much higher on account of the transporters' strike than the 40 per cent diesel price increase. Transport contractors are holding one more of their frequent strikes without realising the irreparable damage to the economy of the country.

It is now well known that deficit financing and high internal debt is what is making India the most backward country in the world. Nowhere in the world are Petroleum products like diesel, kerosene, LPG, etc, so heavily subsidised as in India. The oil pool deficit is already at Rs15,000 crore and the government is fully justified in increasing diesel prices by only 40 per cent to bring the deficit under control. A further increase of another 60 per cent should also be expected before the end of this year. Trade associations like the CII, FICCI, and IMC fully appreciated the increase, realising that there was no choice and that hard decisions would have to be taken if India has to progress.

Apart from reducing government expenditure, which has its limitations, the other alternative is to cut down on subsidies. When the oil prices have gone up from $11 to $24 per barrel and all petroleum product prices have shot up, its highly ridiculous to protest against an increase by 40 per cent of the price of diesel, which was heavily subsidised for a number of years. With more such irresponsible acts as the transport strike, production will be cut, unemployment will rise, the cost of products will go up, and there is bound to be all-round suffering.

S SRIDHAR
Mumbai

◆ Literacy first

Having gone through *Into the next year* (Editorials, 20 September), I agree with long-term planning for a country like India to achieve 6–7 per cent growth. But till date we are far below expectations even after 50 years of independence. The simple reason is that all governments till date have planned only short-term. We have a class of economists for long-term planning but they are all politically motivated in such a way that a common man can understand the future plan which is based on short-term planning by a ruling political party because the majority of the people are unable to understand the theory.

It will be the prime duty of the new government to remove illiteracy first and then go for long-term planning.

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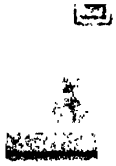
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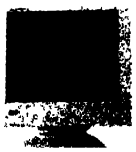
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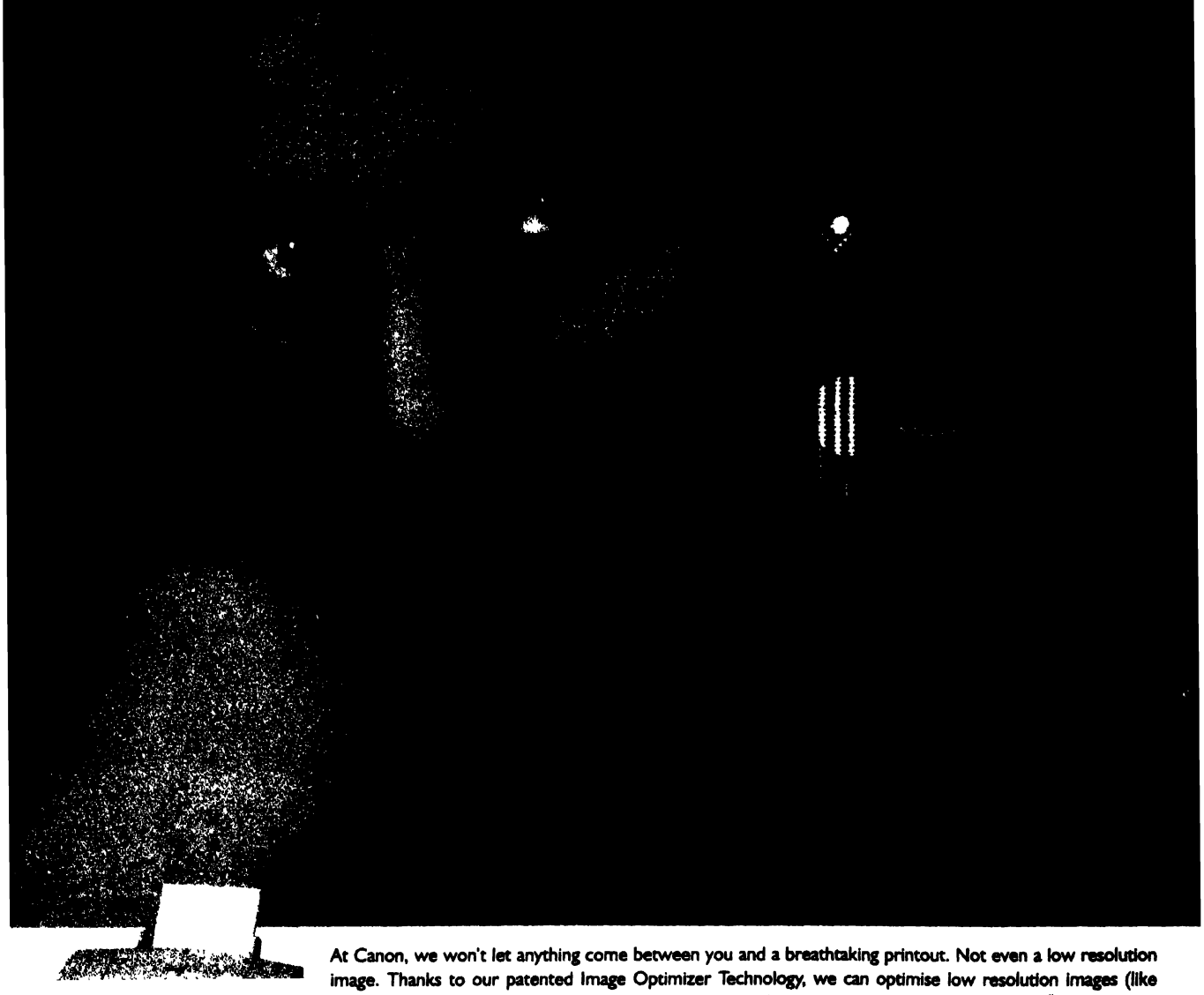
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Reviling the faith

The growing intolerance amongst Hindu rightists against the Christian community will be a severe setback for India

India's much-hyped secular spirit that all governments of the day avowedly espouse is being put to a severe test by the unseemly ruckus that is being raised over Pope John Paul II's visit to India during 5-8 November. The supreme head of the Christian faith last visited India in 1986 and his impending arrival is for concluding the Asian synod that was initiated at the Vatican last year.

Indeed, the extremist statements that are being made and the communal passions that are being whipped up by the fanatic fringe from the Sangh Parivar are jeopardising the Vajpayee government's exertions towards projecting India internationally as a credible and stable investment destination. Seen in the light of the numerous attacks against Christians of late in certain states, such a hate campaign can attain perilous proportions and put the clock back on the nation's secular agenda and its strides towards a globalised economy.

The joint front presented by the Rashtriya Swayamsevak Sangh (RSS), Vishwa Hindu Parishad (VHP), Bajrang Dal and Shiv Sena has been demanding an apology from the Pontiff for the "forced conversions" and "atrocities against Hindus" that it alleges are being perpetrated around the country. VHP's senior vice-president Acharya Giriraj Kishore believes the Pope should also apologise for the "inquisitions" that, according to him, were carried out in Goa, Kerala and Vasai, in Maharashtra. Bajrang Dal president Surendra Jain railed that all Christians should be driven out of India if the missionaries did not stop their forcible conversions. If they did not, then they should be prepared to face another of the Dal-sponsored *bharat chhodo andolan*, or quit India movement, he warned. He also deemed unacceptable that "people like [the late] Mother Teresa who once said that *ananthashrams* were meant to propagate Christianity" were today being considered for sainthood. Pitching in was Puri's *shankaracharya*, Swami Nishchalanand Saraswati, who charged that while no state governments in the country accorded due respect to Hindu religious leaders, they went out of their way in showing utmost reverence to the religious heads of other communities.

To drive home their point, the VHP-backed Sanskriti Raksha Samiti (Council for Safeguarding Culture) launched a Goa-to-Delhi protest march on 20 October that was to have wound its way through Gujarat, Madhya Pradesh and Rajasthan. But it was halted by the Madhya Pradesh authorities on 28 October, with chief minister Digvijay Singh branding it as being against Indian tradition and culture, and stressing that acts like these would tarnish the image of the country.

Responding to an outraged opposition as well as constituents like the Telugu Desam Party, Trinamool Congress and MDMK of their coalition government, BJP leaders like prime minister A.B. Vajpayee and home minister L.K. Advani assured the Lok Sabha that the government would not tolerate any disrespect to the Pope. In the Rajya Sabha, chairman and vice-president Krishan Kant appealed that the religious leader be treated as an honoured guest and stressed that this was the time to show the world that religious fundamentalism and terrorism can never succeed in a democracy like India.

Simultaneous developments were, however, none too reassuring. The vice-president himself was urged by the Ministry of External Affairs to decline an invitation by the Catholic Church of India to be chief guest at an inter-faith congregation to have been conducted by the Pope at the Vigyan Bhavan on 7 November. BJP leaders had separately maintained that as India was a functioning democracy, holding protests was a democratic right of the people and could not be interfered with. And while external affairs minister Jaswant Singh informed the Lok Sabha that the Pope would be accorded a "glittering" welcome, in the same breath he asserted that repentance was part of Christian ethics and that the Pope had expressed repentance elsewhere. One also could not forget Vajpayee's misplaced announcement in the wake of the burning to death of missionary Graham Staines and his two sons in Orissa that there should be a national debate on conversions.

The seer of Prayag math, Jagatguru Shankar Swami Madhavanand Saraswati, was one religious leader who termed the protests as "wrong", emphasising that as ours was a secular country, everyone had the freedom to preach and practise the religion of their choice. A report submitted in September by the US

State Department's International Religious Freedom Office (IFPO) indicated "a deterioration of religious tolerance" in several Indian states and made a pointed reference to the "significant increase in attacks against Christians by Hindu extremist groups".

There is no doubt that such onslaughts against the Christians are being waged as they present a "soft" target and are not known for retaliation. Their numbers too are not daunting enough. But their contributions in social work, health, education and tribal welfare are there for all to see. The Centre would do well to recognise the dangerous trends in this anti-Pope agitation and nip them in the bud. Tomorrow may be too late. •



Freight fallout

The recent transport strike tried to hype the rise in diesel prices. For the general public, however, the real impact will be minimal

Now that the transporters have withdrawn their strike what with the government refusing to fall prey to populism, industry associations are busy looking at the fallout of the diesel price hike. Ironically, the strike crumbled because the tanker owners, who move petroleum products across the length and breadth of this country, pulled out. The reason for this is the foresight with which the oil companies framed their transport contracts allowing for adjustment on account of any hike in fuel price as a pass-through.

Most sectors of industry have witnessed an interesting fact: though fuel bills will be up by about 40 per cent, the impact on the price front will be mixed and marginal. Accountants seem to have figured that the diesel hike will lead to only about 10 per cent higher freight costs, which in most cases is insignificant and can either be passed on to the consumer or absorbed by the producers. For example, hot-rolled steel coils that are priced about Rs12,000-14,000 a tonne incur a freight cost of Rs400-1,500 a tonne. Thus, a 10 per cent increase in freight costs will lead to just about Rs50-200 rise in the price of product per tonne depending on the location of the plant and the markets it is serving.

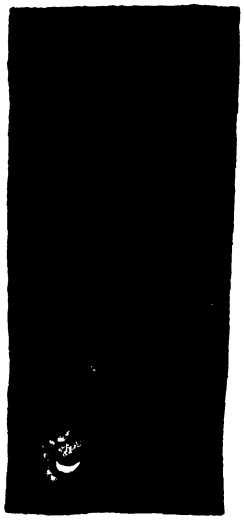
Cement, another product sensitive to freight, also seems to be only marginally affected. The variation will depend on what mode of transport plays what role in the overall logistics of the company. Thus, a large producer like ACC, which uses a 55:45 mix of road and rail transport, may not get affected, while some southern cement manufacturers, which use an 80:20 mix, will somewhat. The basic point is that, in overall terms, the revival in industrial fortunes that has been evident in the last two quarters, insignificant as it may seem, has turned the diesel hike into a virtual non-event.

But not for all companies; certainly not for those which use diesel for captive power generation. The diesel hike will directly affect their electricity bills and manufacturing costs, in contrast to those using coal-fired captive power stations, who will feel pretty smug about the whole affair. Some companies that have switched over to fuel oil and LSHS will however continue as before. This might lead to modifications in generating sets so that fuels other than diesel can be used. In sum, market forces will lead to minor changes in manufacturing process and logistics.

Having said that, we cannot discount the effect on the fragile economics of vegetables, fruits, foodgrains, and other food products, which unfortunately will immediately impact on the common man. As it is, he or she never really bought the largely theoretical argument that inflation was at its lowest in living memory.

One product which will lose a bit of sheen is the glossy high-priced diesel-powered cars. A taxicab operator or middle-class user used to buy them calculating his fuel bill. Earlier, the lower fuel bill of diesel-powered cars used to be apparent after about 60,000 km of running, while now it might be 75,000 km and if that will take more than five years then the car might be almost ready for replacement to offset higher maintenance costs. Naturally manufacturers like Telco, who were banking on the success of their diesel car models, might be worried.

The bottomline is simple: the government needs to be congratulated for sticking to an essentially economic decision. Such decisions should normally be par for the course with little political interference midstream. Detailed investigation into the fallout clearly indicates that, unlike one Vitalstatistix, chief of a comic book village of indomitable Gauls, we can confidently declare that the sky is not falling on our heads. •



A dangerous drift

Musharraf's ascendancy will see an escalation in cross-border terrorism

While Pakistan's chief executive, General Pervez Musharraf, is talking of de-escalating tensions on the international border with neighbouring India, the newly-installed, BJP-led government needs to be particularly careful about his intentions for his linkages with Islamic fundamentalists are going to be a cause of concern for the Indian defence establishment. Pakistan has over the years learnt repeatedly that engaging India in direct conflict is a foolhardy venture. Maybe that is why the Pakistan military strategists led by General Zia-ul Haq created the stratagem of Operation Topac for fomenting cross-border terrorism in the state of Jammu & Kashmir. This succeeded with the stampeding of the minority Hindu populace in the state, leaving the way clear for Nizam-e-Mustafa or rule of Islamic law, based on the edifice of fundamentalism.

Musharraf's background is worrying because of the earlier-mentioned linkages: he was handpicked by Gen Zia to train the Taliban (Afghan Mujhaideen who fought the Soviet army), later he was the corps commander of the northern areas of Hunza, Gilgit and Skardu and, most importantly, he was part of the core team which constructed the ISI battleplan for Operation Topac.

Pertinently enough, Musharraf's two key appointees in the National Security Council are known hawks — Maj Gen Anis Bajwa, vice-chief of general staff and Tariq Aziz, additional secretary in charge of the narcotics control division which works on anti-India operations, in the main assisting renegade outfits like ULFA in Assam. Together the troika form a highly dangerous sanctum sanctorum, dealing in covert terrorist operations, also known in defence parlance as black ops.

India needs to keep in mind that two factors working in conjunction — of not being able to pouch Kashmir despite repeated attempts and the dismemberment of Pakistan in 1971 — have not been digested by the ruling Punjabi milieu in Pakistan. Paramountcy over Kashmir remains the most important item on the Pakistan army's agenda, the same Pakistan army that has always seen itself as the guardian of Pakistan's Islamic ideology.

The growing presence of Islamic fundamentalism in the region, and the rapid creation of what analysts see as the green crescent which begins in Turkey and ends in Kashmir Valley, is a sensitive matter. Russia is facing similar problems because of this phenomenon. Cross-border terrorism is a harsh reality which no policy planner in the immediate vicinity of this area can afford to ignore.

While Srinagar has seen the flushing out of militant elements, the lack of a meaningful dialogue with the All Party Hurriyat Conference remains a festering sore. With the military wing of the Hurriyat, the Jehad Council under the stewardship of former Hizbul Mujhaideen commander Syed Salhauddin calling the shots and rapidly overtaking the political wing, the drift is leading to a dangerous precipice. It is leaders like Shabbir Ahmed Shah, once described by Amnesty International as the prisoner of conscience who now heads the People's Democratic Front, who should be engaged in the process of political dialogue. Considered to be one of the cleanest leaders along with the young Mirwaiz Farooq, the central government has to take the initiative in this regard at the earliest.

Similarly the feared Harkat ul Ansar, made up almost entirely of foreign mercenaries, is gaining acceptance and credence amongst the populace for their frightening dedication to the so-called cause of *jehad*. Normalcy appeared to be setting in just prior to the Kargil conflict with the local populace painfully aware that they were caught between a rock and a hard place as both sides were running riot through the barrel of the gun. Tourism, the lifeblood of Kashmir Vale had raised its head after a hiatus of a decade, with close to 200,000 visitors. But Kargil changed all that and the wheel came full circle. Now with Musharraf in the saddle, duplicity and terrorism may once again be in vogue.

For its part, the Indian Army is operating in a vacuum due to the lack of comprehension of the concept of Kashmiriyat; clearly the government in consonance with the defence establishment has its work cut out in the future. For it will be an environment where much blood and gore will be spilled. The only plus point is that with winter having set in, the upper reaches of the passes will not be porous and as such the next round of strife may well have been deferred — till the snow melts. ◆

Banker's choice

The team led by Ashok Kapur, who set up Rabo Finance in India, has now raised its ambitions. Having established Rabo as a successful NBFC, they want to now put up a full-fledged bank in India, early in the new year. The bank will have the minimum Rs100 crore capital but it will apparently be owned only 60 per cent by Rabo Bank directly. The balance 40 per cent is likely to be held by Rabo Finance, in which Kapur and his colleagues have a 25 per cent ownership stake. Who says money cannot be made in staid old businesses?

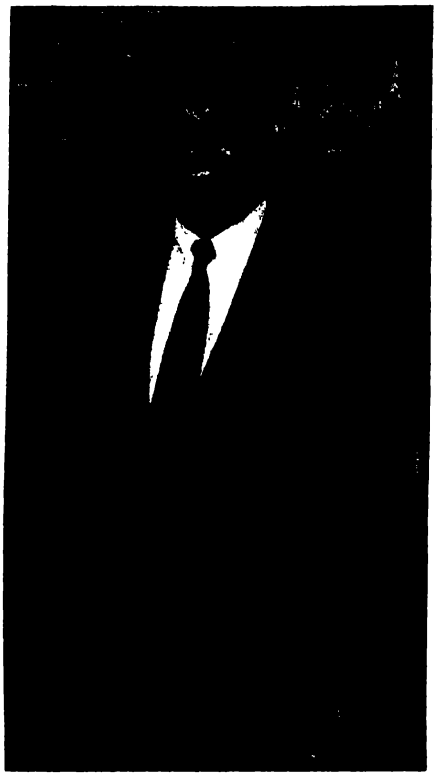
Media moves

Two high-profile media IPOs are on the anvil. First, Prannoy Roy's New Delhi TV which has appointed Jardine Fleming for its public issue. The other is United Television or UTV, which is part of Ronnie Screwvala's Unilazer Group. The Rs100 crore issue, led by JM Morgan stanley, should be flagged off early next year. The software house with interests in India and Malaysia has big expansion plans.

Another outfit, Jeevan Telecasting Corporation, is also all set to launch an independent digital channel, proclaiming the word of God together with Christian and human values. As the catchline goes – well-defined and refined programming untainted by obscenities and frightening violence.

The fate of all these enterprises will, however, depend on Delhi. The news out of Shastri Bhavan is that the broad parameters of the Broadcast Bill have been outlined. The new I&B minister, Arun Jaitley, is pushing for the Bill's passage. The Bill's salient points are such that they will benefit Indian broadcasters with a minimum 80 per cent stakeholding. They will all be allowed an automatic uplinking facility from India.

As far as foreign channels are concerned regulation may link advertising outflows *vis-a-vis* actual export earnings. At the moment, foreign majority owned channels like say Sony Entertainment Network and the Star Network are allowed easy repatriation of revenues. But this system will be tightened considerably and a higher presumptive tax will also be slapped on.



UMESH GOSWAMI

Kapur aims for a full fledged bank in India

Further, there might also be a move to bring in a Cable Regulation Act which will bar cable outfits like the Hindujas, Rahejas and even Siti Cable from broadcasting and only allow them to function as distribution carriers. All this will turn the unregulated television business in the land on its head.

Follow the leader

ICICI's successful ADR at the New York Stock Exchange has induced many leading Indian companies into thinking about tapping the US markets. The issue netted $315 million for the company. Reliance Industries has been talking about NYSE listing for some time. So also has the State Bank of India. The latest to join the bandwagon is Larsen & Toubro. L&T has appointed the Boston Consulting Group (BCG) to advise the company on restructuring its operations. BCG is expected to give its recommendations by the end of 1999. The company's game plan is to approach the US markets only after a face-lift. By that time, the turnaround in the economy under way currently will only contribute to the company's fortunes.

Extracting maximum benefit

Analjit Singh of Max India, who was sitting on a pile of cash, has been talking to consultants from JP Morgan to Mckinsey's to deploy his funds. It seems he has finally made up his mind for utilising at least Rs100 crore out of the estimated Rs400 crore that he made after selling his stake in Hutchison Max. The buzz is that he is entering the insurance sector and is talking to a foreign insurance company for a joint venture. The JV would be subject to the clearance of the Insurance Bill. A formal announcement is expected to be made over the next few days.

Intel inside India

Leading microprocessor manufacture Intel which was so far operating in India as a branch office of its Singapore operations could be planning a full fledged Indian subsidiary soon. Not only has India proved to be a very lucrative market for Intel chips, the coming boom in electronic commerce and Internet-related businesses in India is likely to pose a huge growth opportunity for the world's largest chip maker and it will no doubt need more than a liaison to handle volumes.

Besides some engineering research and development activity that Intel does out of India, it is now planning to launch database services here. This will initially include setting up a server farm - a host of servers, which will be hired or leased out to Internet companies thus eliminating their need to invest in their own. Intel is also actively growing its venture capital business in the country, having picked up sizable stakes in Internet companies such as Rediff, ESS, Right Choice and Network Solutions. How much it will acutally invest in the Indian subsidiary is still not known but it many not be too trivial a sum. •

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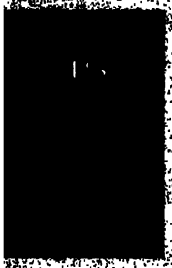
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Monster business...poker's payoffs...sleep over it

Monsters are very much in the news these days. The new genre of blast-everything-in-sight games has spawned several exotic varieties. Now Gamespot, an online authority and download site for a whole array of games, has come out with a list of the best monsters. "Truly frightening characters are few and far between," says Gamespot. "In movies, as in games, a good monster is hard to find. For every A-list monster, from the classic demon, as personified by Diablo's Balrog, to Myth's gas-emitting, paralysis-inducing suicidal zombie, there are dozens of lame, or even goofy ones masquerading as the real thing; for example,



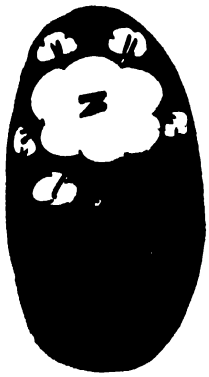
the pig cop in Duke Nukem 3D."
Among the Gamespot top 10 are:
• *The Balrog (Diablo):* A throwback to simpler times, the Balrog isn't a fancy beast or a half-human, half-animal abomination. It is a classic demon – large and red, with horns, cloven hooves, and great red wings.
• *The Barons of Hell (Doom):* The barons, more so than any of their underlings, look purely evil, like flesh-and-blood manifestations of everything satanic. And their enraged, ground-shaking howl make them even more unnerving to behold.
• *The Beast (Out of this World):* When you run into a monster in a computer game, 99 times out of 100 you're supposed to kill it. The other time, it talks to you first. That's why the pitch-black lionlike beast from Delphine's early 1990s side-scrolling action classic *Out of this World* is so unique and still so frightening.
• *Bile Demon (Dungeon Keeper):* Slow, overweight, and unpleasantly flatulent, the bile demon has personality. Grumpy and slow, he won't work faster and doesn't like it if you try to rush him.
• *The Fiend (Quake):* This cat-quick demon doesn't just rush up to you like your run-of-the-mill bad guy. He jumps down from the ceiling and claws at you from all sides...

Forgotten, however, are the scores of monsters from the side-scrolling arcade games of yore. These two-dimensional beasties had hundreds of gamers in their thrall. But, like the once ubiquitous Lost Souls of the Doom family, they are now in some twilight zone of their own.

Talking about monsters, the traditional favourites have found several homes on the Internet. Check out Gareth Long's Encyclopaedia of Monsters, Mythical Creatures and Fabulous Beasts. He has put together an enormous collection from abatwa ("a peaceful race of African people. They are the tiniest creatures in human form. They live in the anthills in Southern Africa and are very shy – only revealing themselves to children under four years old, wizards or pregnant women. If a pregnant woman sees a male abatwa, she knows she will give birth to a boy) to the ziz ("a bird mentioned in the book of Psalms, the ziz is of enormous size, much like the roc. It can block out the sun with its wings and has incredible strength. It is said that it was created to protect all the small birds, and without its protection, these birds would have died a long time ago. The ziz is said to be kosher by the Jews").

Others in the list include the bugbear (one of the English hobgoblins), the hag ("hags are known to use a human as a mount and will "ride" them in their sleep, hence the term hag-ridden") and the typhon ("a fire breathing giant with 100 serpentine heads"). The Hindu nationalist types would probably be interested in one entry – Ganesha, described as "a Hindu god of wisdom, Ganesha has the head of an elephant and the pot-bellied body of a man with four arms... He is usually seen in works of art very relaxed with beautiful maidens surrounding him." Ganesha may be relaxed, but one wonders what the Vishwa Hindu Parishad will have to say about his inclusion in this pantheon of monsters.

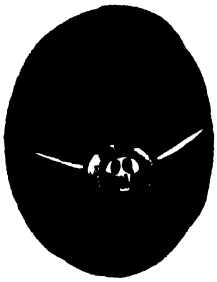
People are sleeping less these days; the average night's sleep has decreased from about nine hours in 1910 to



about 7.5 hours in 1975 and is falling even further. But this fallout of the time pressures of modern society could have dangerous consequences. Scientists at the University of Chicago Medical Centre have discovered that chronic sleep loss may not only hasten the onset but could also increase the severity of age-related ailments such as diabetes, hypertension, obesity and memory loss. Their research also indicated that even eight hours of sleep is not enough.

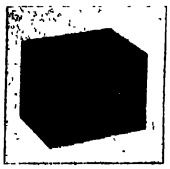
Playing poker does not pay off. So says Todd Mateer who has spent approximately 500 hours researching video poker gambling in South Carolina in the US as part of his Master's thesis at Clemson University. Todd, a student of mathematics, has found that an expert-level player can get a positive return on a casino-style video poker machine in Las Vegas. But because of South Carolina's rules that limit the maximum payout per machine in a 24-hour period to $125, the returns are much less. Even in Vegas, the numbers are not all that favourable because the payoff is over a period of time. One has to play for 40 hours a week for over two years to be assured of the returns. For most it would be too much like hard work. Of course, the odds assume expert play. The cards are really stacked against the ordinary gambler who can expect a return of less than 50 per cent. Video poker machines are all the rage in South Carolina where they can be found at grocery stores and petrol pumps. For the record, one can hit the jackpot once in 40,000 games.

If you are flying British Airways, don't worry if you are suddenly told that there is an



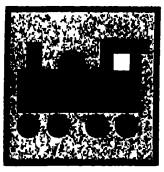
emergency. Pre-recorded emergency-warning messages have been accidentally transmitted to the cabin several times in the recent past. In April, a voice on the tape actually told passengers that the plane was about to ditch into the Atlantic Ocean. Bon voyage.

BUSINESS INDIA INDEX



Proportion of Indian voters who say they were aware of the Kargil conflict with Pakistan which took place just before the recent Lok Sabha elections, in per cent: **65**
Proportion of Indian voters who say that the India-Pakistan conflict had affected their voting choice: **15**

Estimated number of people in India who are undernourished, in million: **204**
Estimated number of people in sub-Saharan Africa who are undernourished, in million: **180**



Percentage of people in Mumbai and Delhi who use public transport to commute to their workplace: **79 & 53**
Percentage of people in Mysore and Lucknow who use public transport to commute to their workplace: **13 & 1**

Percentage change in the number of companies listed on the Indian stock exchanges between 1989 and 1998: **+143**
Chances that a company listed in the emerging stockmarkets worldwide is an Indian company: **22 in 100**



Number out of every 100 young Indian males who say they don't have a girlfriend: **53**
Number out of every 100 young Indian females who say they don't have a boyfriend: **63**
Rank of education and looks among the most important considerations in young Indians while choosing a partner: **1 & 2**

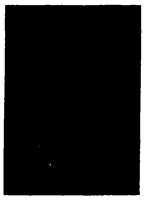
Rank of Tamil Nadu, Kerala, West Bengal and Andhra Pradesh among 14 major Indian states in terms of incidence of heart diseases measured as major morbidity per lakh population: **1,2,3 & 4**
Rank of Madhya Pradesh, Maharashtra and Rajasthan among 14 major Indian states in terms of incidence of heart diseases measured as major morbidity per lakh population: **12,13 & 14**



Estimated ratio of regular men and women clients at Delhi's beauty parlours: **60:40**
Percentage change in the number of male clients in Delhi in the last couple of years who regularly visit beauty parlours: **+100**

Amount of money Japanese men spend each year on anti-balding products, in million dollars: **400**
Estimated value of wigs bought by Japanese men in 1998, in million dollars: **813**

Number out of 29 dictators worldwide since the 1980s, eligible for prosecution under 1984's International Convention Against Torture, who were actively supported by the US: **8**
Number of countries including the US which opposed the creation of an International Criminal Court approved by 120 UN member countries in 1998: **7**



Number out of every 100 Italian men who divorce their wives because they are not like their 'mamma': **21**
Number out of every 100 Italian women who divorce their husbands because they are 'quite boring': **23**
Number out of every 100 divorced Italian men who curse that their wives should put on weight or go bald after divorce: **4**
Number out of every 100 divorced Italian women who curse that their husbands should end up in a monastery after divorce: **6**

Proportion of the total film market in Latin America, Europe and Japan that is accounted for by the Hollywood films, in per cent: **83, 70 & 50**
Proportion of American film market that is accounted for by the foreign films, in per cent: **3**



Number of mobile phone subscribers for every 100 Finns and Rwandans: **57 & 0.23**
Mobile phone subscriptions as percentage of all telephone subscriptions in Finland and Rwanda: **51 & 58**

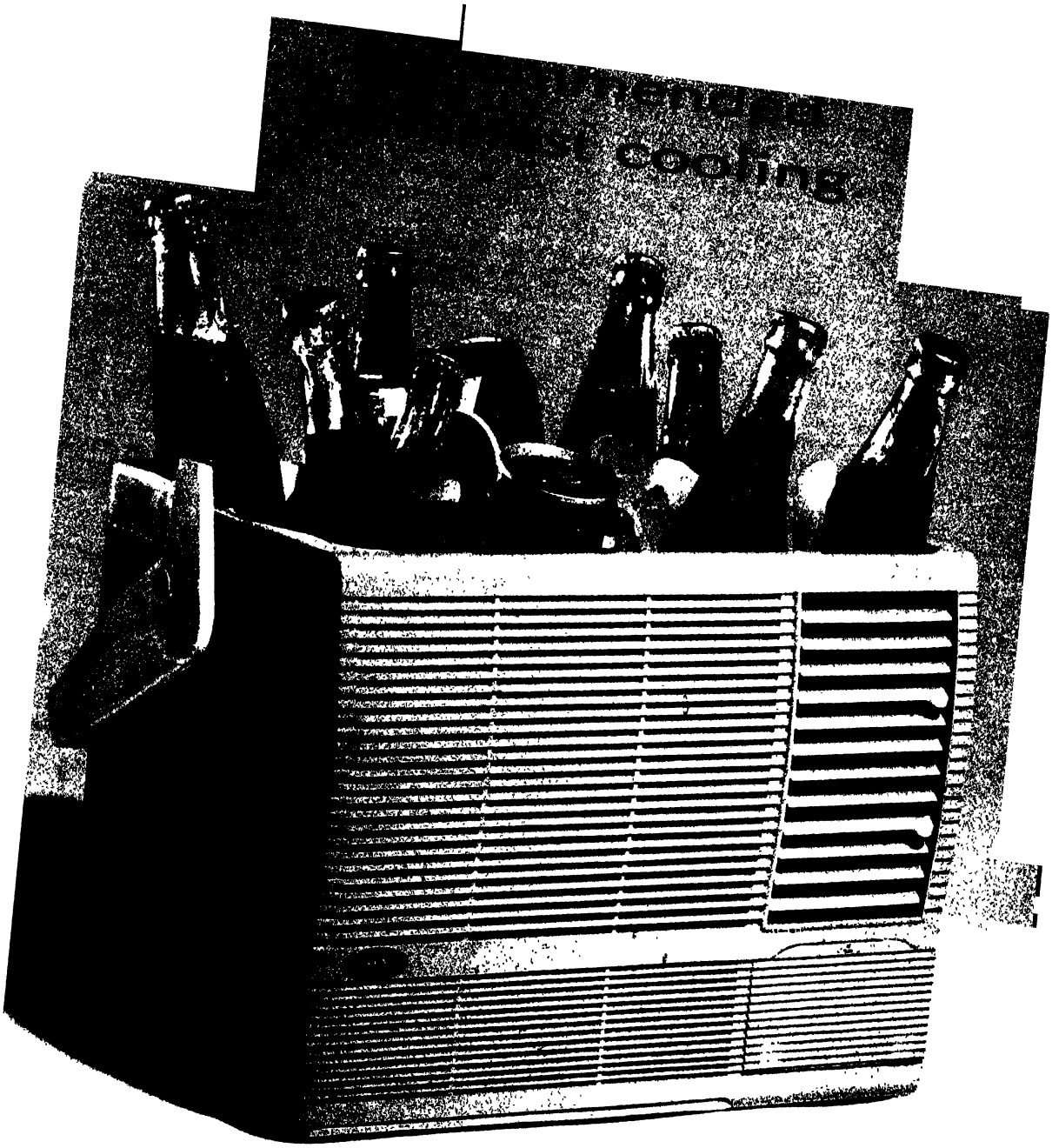
Percentage of women in the rich and developed countries who have reported some sort of sexual dysfunction or lack of enjoyment of sex due to high-pressure jobs: **40**



Number of books about Jesus Christ in the collection of the US Library of Congress: **17,239**
Number of books about William Shakespeare in the collection of the US Library of Congress: **9,801**

◆ *Compiled by* ANOOP BABANI

SOURCES: 1&2 Survey by Centre for the Study of Developing Societies, New Delhi and State of the Food Security in the World 1999, Food and Agricultural Organisation, Rome 3&6 World Development Indicators, World Bank, Washington 7&8 IPC statistics quoted in *The Economist*, London 9,10&11 *Outlook*-MCDS survey on youth, *Outlook* magazine, New Delhi 12&13 India Human Development Report 1999, National Council of Applied Economic Research, New Delhi 14&15 *Hindustan Times*, New Delhi 16&17 *Time* magazine, New York 18&19 Amnesty International, London and *Harper's Magazine*, New York 20,21,22&23 Survey in Italian edition of *Burda* magazine, Rome 24&25 Human Development Report 1999, United Nations Development Programme, New York 26&27 International Telecommunication Union 28 Research studies by American Medical Association and Relate, a [illegible] report, Washington



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Your home on the Net

In October 1999, India Properties Com Pvt Ltd launched **www.indiaproperties.com**, a comprehensive real estate search engine designed to facilitate buying, selling and leasing of properties throughout India by linking owners, real estate agents, builders and buyers. According to the company, the site has built up a database of property offerings in over 60 cities across India and has been registering two million hits a month. Significantly, ICICI will provide the facility of getting the properties pre-approved. The site allows users to view a comprehensive list of properties free of cost. The properties are sorted out according to the city they belong to, their area, type, price and size. Once the user defines his or her preferences, the site throws up a number of matching properties along with a look at the property as well as contact details. Other useful information includes a link to Reserve Bank of India's list of most frequently asked questions by NRIs. At present, the real estate industry is the largest unorganised business in the country. With the launch of this housing-related site, there is a possibility of the industry getting a more formalised structure. Worth a visit!

Faxing made cheaper

Scan Fax from Pyramid Cyberway, a Calcutta-based start-up, is offering an Internet-based communications and document handling software at **www.scanfax.com**. Linked to a scanner, it faxes or e-mails your documents via the Internet. It has seamless integration with Microsoft's Office suite and with other smaller office products like Lotus. The software package is cheaper than many comparable softwares and includes access to a storing and forwarding Internet site. Company chief Umaesh Khaitan claims that the software cuts about 95 per cent of fax bills in an office because it uses Internet linkages to send documents. At the destination, it can be routed to a fax machine during lean hours, or even better, to another Internet address. The message comes with its own execute file which allows the recipient to open the attachment. Similarly, the office can benefit by keeping documents electronically in folders with facilities like key word searches and automatic indexation. It also has facilities like margin notes and post-its.

The world of mutual funds

Since the mid-1990s, mutual funds have come to play an important role in Indian capital and financial markets, and the skyrocketing collections at mutual fund counters indicate the retail investors' willingness to trust their money with fund managers. At the same time, there is a paucity of continuously updated information in the comparable format so as to be able to choose a suitable scheme for investment. The newly-launched **www.mutualfundsindia.com** fills this information void to some extent. Developed by Online IndiaCapital Pvt Ltd, the site provides access to a complete database on India's mutual funds industry. The site covers more than 400 schemes and allows one to easily access information on a particular scheme's primary details, current and historical NAVs, performance track record, fund portfolios, fund mangers' profile and so on. An interesting feature is 'Choose a Scheme', which enables a surfer to find out the schemes most suited to his or her requirements. For example, if a user wants to know all the open-ended schemes which are growth schemes, have exposure to infotech stocks and require a minimum investment of Rs2,000, the site provides instant information. Other features include links to other related sites, a detailed primer on mutual funds, tax laws, news, etc. A must for fund investors.

WebWatch

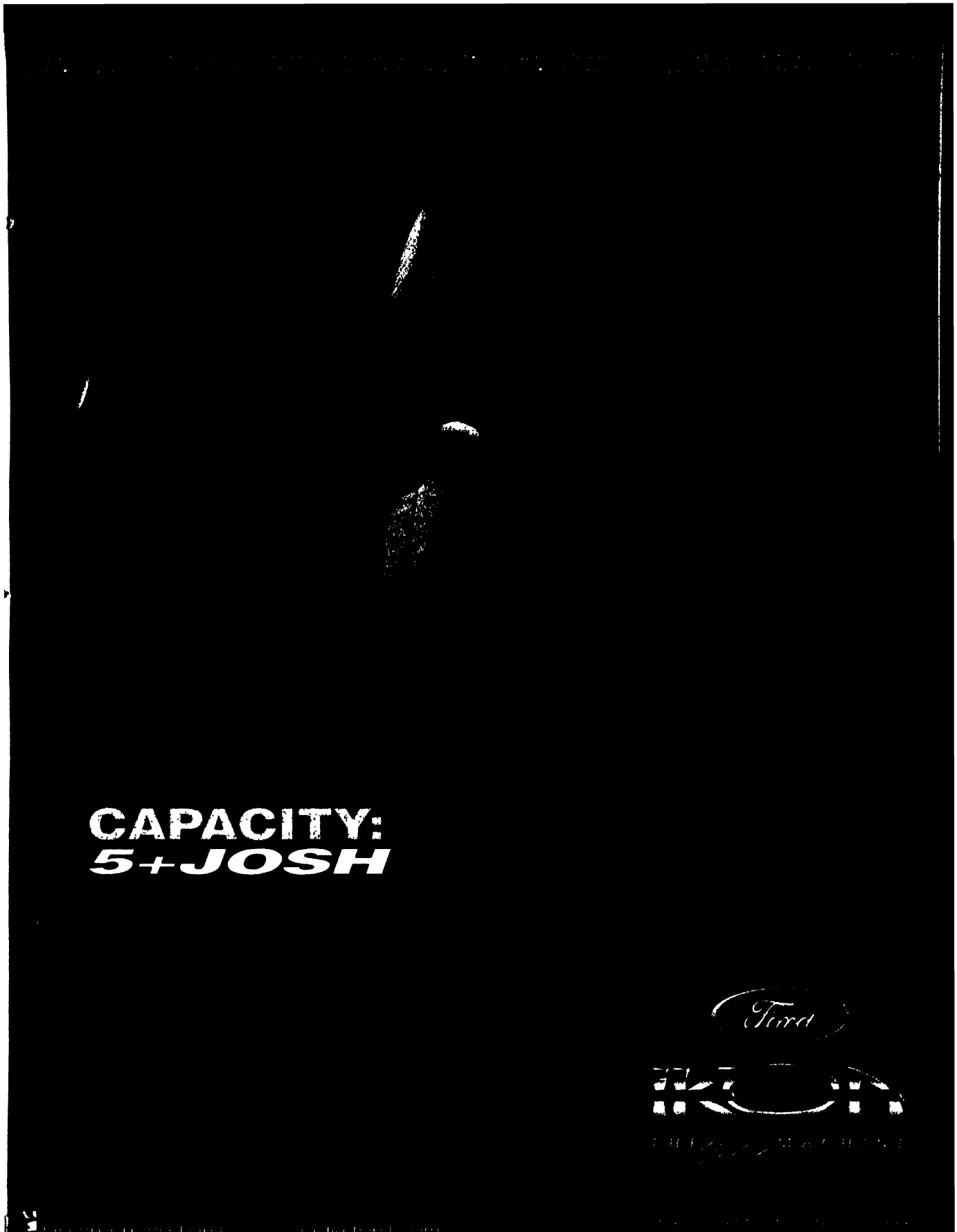
Is the Web an exclusive club?

Yes, in all probability, at least as far as the teeming majorities of poor people in the Third World countries are concerned. Theoretically, the Internet is the most democratic technology allowing access to anyone from any part of the globe. In reality, however, poverty, illiteracy and lack of basic communication infrastructure, including PCs, are going to limit this revolution to only minuscule minorities in these countries. Raul Zambrano, information technology specialist for the UN development project, was recently quoted in a Reuters news report as saying that "the gap between the haves and have-nots is widening" on the Web. Not only the technology, the other debate is the language of the Net. Though the proportion of English-speaking population across the globe has shrunk with the decline of the British Empire, four out of every five websites are English-language sites. More and more countries are raising their voice against language imperialism in cyberspace. In the initial euphoria about the Net, however, these efforts by the Third World towards greater equality and acceptance are going largely unnoticed.

Sterlite gets logged onto the Net

"A corporate creed that is internationally competitive in every venture. A social ambience that gets the right people to ensure performance and results." Thus begins the introduction to the website of Sterlite Industries (India) Ltd (SIL), the latest Indian company to be bitten by the Net bug. Christened www.sterlite.com, the site provides information on the company's activities and performance. It has an interesting section on environment management which talks about environment protection around the company's plants. "All the Sterlite plants meet necessary pollution and environmental norms as stipulated by the local, state, Central and other statutory authorities," claims the company's site. SIL has drawn up a detailed plan of landscaping and development of green belts around the plant locations. On the other hand, SIL has set up eight education centres in and around Tuticorin, where 900 poor children receive extra inputs through qualified teachers. A reasonable effort on the Net.

• Compiled by ANOOP BABANI



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AUTHORISED FORD DEALERS : AGRA : Prem Ford : 359599, 220427 • AHMEDABAD : Himl Ford : 6730081/82 • BANGALORE : Cauvery Ford : 6347822, 6548103 Metro Ford : 559425/455 • BHUBANESHWAR Capital Ford : 414018, 414014 • CALCUTTA : Bothra Ford 2804666 - 8 • CHENNAI : Chennai Ford : 5593208/09 BPL Ford : 4937620 - 22 • COIMBATORE : Rajshree Ford : 570188213 • GOA : Cazado Ford : 22206869 • HISSAR : Harpreet Ford . 21395 • HYDERABAD : Donbil Ford 3298833/8822 • INDORE . Distinct Ford 529212 - 14 • JAIPUR . K.S. Ford : 374625/54 • JALANDHAR : Bhagat Ford : 369819 • JODHPUR : G.S. Ford : 744088, 749205 • KOCHI : Ponjoy Ford : 385155/855 • LUCKNOW : Narain Ford : 221123/76 • LUDHIANA : Bhagat Ford : 669161, 605524 • MADURAI Rajshree Ford 98430-27284 • MANGALORE Cauvery Ford : 407808, 408140 • MUMBAI : Veena Ford : 3871416 - 19 Vikram Ford : 5230275 - 81 • NAGPUR : Provincial Ford : 525516, 520462 • NASIK : Vikram Ford : 580823 - 29 • NEW DELHI : Harpreet Ford (Moti Nagar) : 5153950 - 52 Harpreet Ford (Shahdara) Centre) : 619753436 Indus Ford : 6843987/76 • PONDICHERRY : BPL Ford : 251012 • PUNE : Tulsea Ford : 6868137339 • RAJKOT : Himl Ford : (027) 67574 • SURAT : Amin Ford : 71208 • VADODARA : Amin Ford : 7726184087.

DEALERS SHORTLY : BHOPAL : Distinct Ford : 54078078, 541729 • CHANDIGARH : Excel Ford • KOCHI : Kaimli Ford : 542922, 559930. • VIJAYAWADA : Donbil Ford. • VISAKHAPATNAM . Sundaram Ford.

Sebi spoils the party

Sony Entertainment Television (SET) had originally decided to dilute 25 per cent of its equity, but somewhere along the line, it decided to opt for 10 per cent equity divestment. However, the Securities and Exchange Board of India (Sebi) rejected the proposal saying that only infotech companies are allowed a minimum float of 10 per cent as against 25 per cent for others.

According to Sebi, SET was primarily a media company and, therefore, could not get the concession allowed to infotech companies. SET, meanwhile, was seeking infotech status as, according to it, there was an increasing convergence of technologies between cable, broadcasting and Internet-related services. For the IPO, the original game plan was to dilute 25 per cent, on an equivalent basis of 12.5 per cent among the seven Indian promoters who hold 35 per cent of the equity and Sony Pictures Entertainment through a company called Columbia Tristar International Television (CTIT) based in Los Angeles. The proposal to Sebi, however, asked for a 10 per cent dilution, on an equivalent 5 per cent basis between CTIT and the seven promoters.

Media stocks in India are few and far between and the two most noteworthy – Zee Telefilms and Sri Adhikari Brothers Network – have caught the fancy of the investors. Buoyed by this phenomenon, SET, too, wanted to test the waters. The idea was to have a premium issue, raising anything in the vicinity of Rs200 crore. Further, *Business India* had reported that SET will be launching a bouquet of channels, the first being a sports channel. That, too, has fructified with SET MAX being unveiled to coincide with the Sharjah tri-nation series featuring Pakistan, Sri Lanka and the West Indies.

However, the channel is yet to establish an identity as it is now telecasting re-runs of popular Sony programmes like *Uncensored*, Hindi films that have already been shown on SET and Hindi music shows like *Chartbusters* and *Music Mantra*. Clearly, what Sony needs to achieve the next level of competency is clarity of thought. For now, it continues to drive air time revenues and penetration through expensive acquisitions like *Kuch Kuch Hota Hai*. Concurrently, the *Superstar of the Millennium* series featuring Amitabh Bachchan blockbusters continues to bring in the moolah. Thus, the channel remains a marketing and advertising driven one. *Business India* had also reported that a slew of new programming was needed to reinvent itself, but that in many ways has not materialised, barring Jeetendra's *Kanyadaan*.



Sony needs to rejuvenate its programming in order to create a distinct identity of its own

Back to SET's public offer, where the pricing is being debated. "On an equity of Rs5 crore, SET has made a net profit of Rs32 crore giving an EPS of Rs64. If the Zee Telefilms share on an EPS of Rs30 is trading at Rs5,000, then what should SET quote on an EPS of Rs64? calculates a media analyst who estimates that SET shares could sell at a premium between Rs2,000-3,000 per share. If that is true, SET could create history as the highest priced IPO in the country.

SANDEEP BAMZAI

In the cover story of our 12 July 1999 issue, we had stated that Sony Entertainment Television was planning a mega Initial Public Offering by the first quarter of 2000-2001. But, now the Securities and Exchange Board of India has bunged in a monkey wrench

Getting back into shape

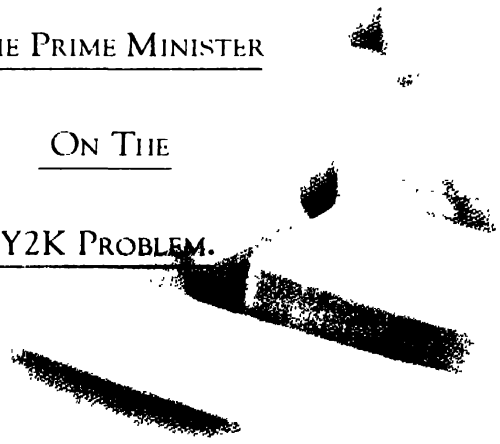
A balance sheet re-jig at Voltas has changed the colour of its bottomline from red to black. For the first six months ended September 1999, the company's sales and other income have dropped by 19.34 per cent to Rs546.30 crore. However, net profit before extraordinary items works out to Rs5.5 crore compared to a negative Rs8.4 crore in the corresponding period last year.

Over the last few years, Voltas seemed to have lost focus and diversified into a host of businesses ranging from engineering to consumer products and from granites to moulded furniture and chemicals. The result: a slow decline in its fortunes. Realising this, under the new management headed by Nawshir Khurody, the company went in for a major clean-up exercise. First of all, it divested unrelated businesses: sold off the chemicals division to Ralichem and transferred the white goods manufacturing facilities to a joint venture with Electrolux. This was in addition

THE PRIME MINISTER

ON THE

Y2K PROBLEM.



to the sale of investments in Merind. "All the resources generated in this process have been used to pay debt. The loan portfolio, which was Rs327 crore as in March 1998, has been reduced to Rs188 crore by March 1999. During the same period, interest burden fell from Rs51 crore to Rs42 crore. During the first six months of the current year, the company had an outflow on the interest account of Rs8.7 crore as against Rs20.6 crore in the same period last year. All this has seen the debt — equity ratio fall from 2.26:1 (March 1998) to 1.23:1 (March 1999) and is now at a healthy 1:1," says an investment analyst.

One of the other major steps in the Voltas turnaround strategy has been its decision to focus on its core strength — engineering. This includes sale of manufactured goods like forklifts, cranes and pumps, besides the distribution of machine tools, textile machinery and mining equipment of a number of leading companies such as Fanuc (Japan), Hauser Tripet Tschudin (Switzerland) and Unit Rig (US).

So, when will the company be fully back into the black? According to analysts, fiscal 2000 would be a more accurate estimate. The reasons: the transfer of the loss-making white goods business to the joint venture would be completed by then as would the execution of about two-thirds of the Rs900-odd-crore mining contract from Coal India. Also, there will be an increase in the capacity utilisation of the manufacturing facilities for commercial refrigerators for Nestle, Cadburys and Pepsi and domestic refrigerators for LG, Electrolux and BPL.

• LANCELOT JOSEPH

Last year (30 November 1999), we had reported how Voltas was shedding fat to stay fit. Some light on the recent numbers declared by the company suggests that the company still has some way to go before it is completely fit

Into the big league

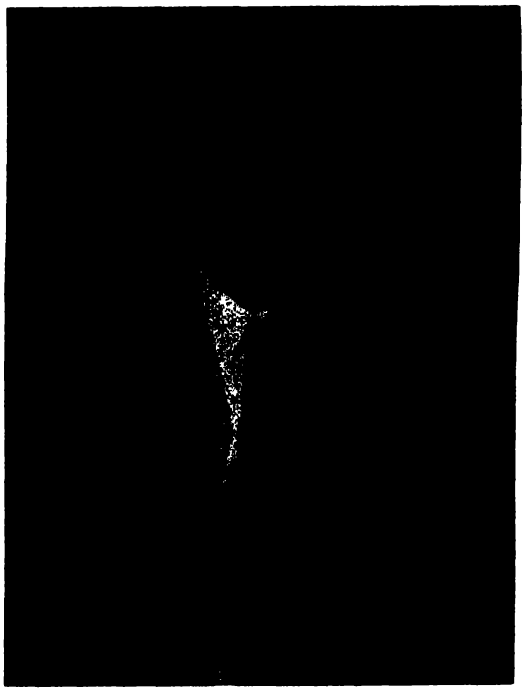
As a result of the proposed megamerger of global aluminium majors Alcan, Pechiney, and Algroup, local giant Indal (Alcan holds a 54.6 per cent stake) is set to join this elite league. Accordingly, new CEO Chris Bark-Jones, who took charge in October 1998, has also drawn up plans to turn the Indian operations around. For the first six months of the current year ended September 1999 Indal's net sales dipped by 7.5 per cent to Rs462.4 crore, but profits have actually rose by 5 per cent at the net level to Rs40.6 crore. The improved health of the company is also more clear in three other indicators — the debt–equity ratio, which now stands at 36:64; the interest coverage ratio of 3.60 times; and the earnings per share of Rs11.40. Interestingly, during the period under review, international aluminium prices have also moved up by almost 30 per cent to $1,518 per tonne.

Explaining the results, Jones says: "Production has been higher in all businesses except sheet, which was impacted owing to industrial relations issues. Two, the energy bill has increased as the state electricity boards have increased their tariffs. And lastly, the lower sales has resulted in a build-up of metal inventory. But this was countered through specific cost-reduction initiatives and tighter credit control, besides laying greater emphasis on high-value segments."

In our April story about the new management and its changes, we elaborately described the Full Business Potential (FBP) programme launched by Alcan almost $3^1/_2$ years ago and how it was going to be introduced at Indal. "Basically designed to identify hidden/untapped values to get more out of existing assets, FBP is now being implemented in the India outfit. The target is to improve the pretax profit by Rs50 crore per annum by December 2001," elaborates Jones.

Meanwhile Indal, with its strong parentage, has moved into expansion mode and Jones is keen on enhancing shareholder value by raising the return on capital invested from under 10 per cent to his target of 15–16 per cent.

• LANCELOT JOSEPH



PALASHRANJAN BHAUMICK

Jones has reason to smile.

We reported on Indal six months ago (5 April 1999) when the new CEO stepped in. The company subsequently embarked on a clean-up operation that involved massive cost-reduction. The results are beginning to appear

India Cements buys Sri Vishnu

It's obviously a case of strengthening one's foundation. India Cements Ltd (ICL) has acquired 88.50 per cent of the paid-up equity in Sri Vishnu Cements Ltd (SVCL) following an out-of-court settlement between ICL vice-chairman and managing director N. Srinivasan and SVCL chairman B.V. Raju. ICL plans an open offer for the rest of the stake in SVCL. The acquisition was made at a price of Rs115 crore, and will be eventually funded through a preference share issue and a fresh issue of equity shares. With the acquisition of SVCL, ICL's cement capacity has gone up to over nine million tonnes. ICL is also planning a Rs3-4-crore upgradation at each of its facilities. The buy-out further strengthens ICL's position in south India, where it is already the market leader. The company is ranked third in the country behind ACC and L&T. Raju said he was forced to divest his stake in SVCL as the younger generation in his family was not interested in the business.

ACC net slides 87 per cent

Another cement major, meanwhile, is facing tough times. ACC has registered an 87 per cent fall in net profit for the second quarter ended September 1999. Net profit for the period has slipped to Rs1.67 crore from Rs12.52 crore in the corresponding period last year. The company has attributed the slide to a drop in realisation coupled with a marginal increase in costs, which took their toll on ACC's botomline. Other income for the period, at Rs13.61 crore includes profits made on sale of investments. Net sales have risen 9.12 per cent to Rs627.72 crore from Rs575.22 crore in the previous corresponding period. Cost per tonne for the third quarter has increased by 5 per cent to Rs2,490 crore per tonne from Rs2,369 crore per tonne in the same period last year.

Maruti to launch Baleno

The big Indian car race continues. Maruti Udyog plans to launch Baleno, the luxury sedan from the Suzuki stable, in the country in the second half of November. This comes barely a week after Hyundai and Ford priced their new premium models, the Accent and Ikon, aggressively at Rs5.35 lakh and Rs4.9 lakh, respectively. Although Maruti has not announced the Baleno's price tag, indications are that it will be at Rs7-8 lakh. Baleno will be fitted with a 1.6 litre, 16-valve engine, which will produce 98 brake horse power. According to Maruti, the new launch will help the market leader cover the entire spectrum, from the entry-level Maruti 800 and Omni to the super luxury Baleno at the top end. The Baleno will only be available in the petrol version and will be Euro II compliant.

VSNL net drops 18 per cent in Q2

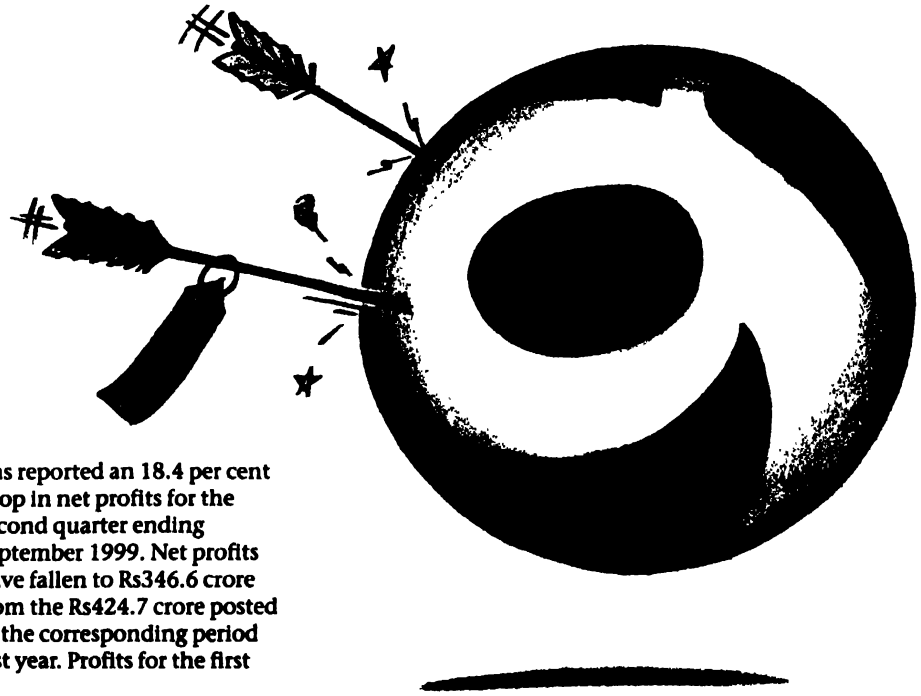
Videsh Sanchar Nigam Ltd (VSNL) is also feeling the heat this October. The company has reported an 18.4 per cent drop in net profits for the second quarter ending September 1999. Net profits have fallen to Rs346.6 crore from the Rs424.7 crore posted in the corresponding period last year. Profits for the first two quarters of the current financial year have dipped 4.5 per cent from Rs736 crore in the last corresponding period to Rs701.7 crore now. The company has cited the reduced rates of international telephony and lease line circuits as the main reason for the fall in revenues. Effective 1 May this year, the Telecom Regulatory Authority of India had announced huge cuts in international telephony rates. According to VSNL, telephony accounts for 91 per cent of its total turnover and the reduced rates have taken its toll on the company's performance. The rate cut has also upset the ratio between outgoing and incoming calls, with the former registering a 6.8 per cent rise. This has further increased the pressure on VSNL's botomline. However, VSNL's Internet business has registered a strong growth, revenues from which have risen to Rs98 crore in the first half of this year from Rs50 crore in the last corresponding period.

Car sales zoom 47 per cent

September brought plenty of good news for the country's passenger car market and caused some heartburn to Maruti. During the month, car sales rose a massive 47 per cent compared to last year. During the first half of the financial, passenger car sales grew 46.48 per cent. This was mainly on account of the huge growth registered by new entrants in the small car segment, such as Daewoo, Hyundai, Ind Auto and Telco. During April-September this year, Daewoo's sales grew an impressive 254 per cent to 14,688 vehicles, including the Matiz, Cielo and Nexia, from 4,144 cars sold in the same period last year. Meanwhile, Maruti's marketshare fell by about 2 per cent during April-September 1999 to 66.73 per cent. This compares with the 68.7 per cent marketshare it enjoyed during April-July this year. However, the company can find consolation in the fact that it continues to be the market leader, even if it has lost some of its marketshare to new entrants like the Indica, Santro amd Matiz.

IDBI net slips 40 per cent in second quarter

And there's more to this year's 'fall' collection. The Industrial



Development Bank of India (IDBI) has reported a 40.2 per cent fall in net profit for the second quarter ending September 1999. At Rs205 crore, the financial institution's net profit for the period has fallen from Rs343 crore in the corresponding period last year. IDBI has attributed the dip in net profit to higher cost of funds and a slump in business. For the first half of 1999-2000, net profit has slipped 30 per cent to Rs496 crore. This compares with the Rs705-crore net posted in the corresponding period last year. Gross profit for the first half has fallen from Rs856 crore last year to Rs664 crore now. The decline in gross profit has been attributed to lower growth in income from operations and higher write-offs and provisions, besides an increase in interest expenses following the redemption of low-cost borrowing.

HLL net up 27.7 per cent in Q3

FMCG majors, however, seem to be having a good time. Hindustan Lever Ltd has reported a 27.78 per cent rise in its net profit to Rs285.20 crore for the third quarter ended September 1999. This compares with the Rs223.4-crore net profit posted in the corresponding period last year. Net profit for the first nine months of 1999 has gone up 25.8 per cent to Rs724.82 crore from Rs576.17 crore in the previous corresponding period. Unlike net profit, third-quarter turnover has not posted an impressive growth, rising just 7 per cent to Rs2,451.59 crore from Rs2,291.2 crore in the previous third quarter. For the nine-month period, turnover has grown 7.1 per cent to Rs7,645.31 crore from Rs7,138.5 crore.

ORG-GFK serves notice on Videocon

The big picture is getting murkier. The tug-of-war between market research



agency ORG-GFK Ltd and the Videocon group over marketshares and sales figures has taken a new turn with the former serving a legal notice on Videocon International Ltd. In the notice, ORG has threatened to initiate criminal proceedings against Videocon International chairman Venugopal Dhoot for allegedly intimidating the company. The research agency has also accused Videocon of manipulating ORG's data to suit their own purposes through 'motivated' statements to the media. ORG has also asked Videocon to tender an unconditional retraction of imputations made against it, in addition to an apology.

P&G net profit rises in Q1

Procter & Gamble Hygiene and Health Care Ltd has posted a 5 per cent increase in net profit for the first quarter (July-September) of the 1999-2000 financial. Net profit for the period has gone up to Rs14.95 crore from Rs14.18 crore in the corresponding period last year. The company's turnover has registered a marginal growth from Rs118 crore during the previous first quarter to Rs119 crore now. The company markets brands such as Vicks Vaporub, Whisper, Clearsil, etc. It has identified healthcare and feminine hygiene as its long-term business focus and has set in place an alternative arrangement for its skincare products.

Piramals to set up healthcare unit

Health is wealth, alright. Piramal Enterprises has entered into a 50:50 joint venture with BUPA, Britain's largest healthcare provider, to provide one-stop health facilities in India. Piramal Enterprises is the holding company of the Ajay Piramal group. BUPA Piramal Healthcare Ltd, the joint venture, has been set up with an initial investment of Rs14 crore. The company will take on lease a 42,000 sq feet facility at Lower Parel in Mumbai from the Gopichand Piramal Trust. The idea behind the venture is to create a preferred provider organisation (PPO) which will offer the services of senior medical personnel. BUPA Piramal plans to set up a chain of health facilities across Mumbai as well as lease out facilities in Calcutta, Bangalore and Lucknow.

SC clears sale of Philips unit

For the Dhoots, the wait seems to be finally over. Last fortnight, the Supreme Court cleared the Rs9-crore sale of the Salt Lake colour television unit of Philips India Ltd (PIL) to Kitchen Appliances, a Videocon group company. The apex court dismissed a special leave petition filed by employee shareholders which has embroiled the proposed sale in litigation since December 1998. The employees had contended that the sale price of the Salt Lake factory, at Rs9 crore, was undervalued. The SC dismissed the plea on the ground that the valuation and the mode of valuation are matters to be decided by the company's board of directors and that the consideration for sale is a matter to be negotiated between the seller and the buyer. The SC decision has cleared the decks for the Dhoots of the Videocon group to take over the unit almost 14 months after signing the deal.

Baron alters TCL ad

After getting into a war of words with Philips earlier over the ads it had put out for Aiwa, Baron International Ltd is in news again, this time it's the Chinese connection. Last fortnight, Baron said it would make changes in its TCL advertising campaign following an objection filed by competitors BPL and Philips with the Monopolies and Restrictive Trade Practices Commission (MRTPC). BPL

and Philips, in their complaint, said that Baron had placed misleading and ambiguous ads in leading publications. These ads had confused the general public, they contended. Baron had been aggressively promoting TCL, a Chinese brand, in the lower end of the colour television market. The TCL ads had claimed that leading brands such as Philips, LG, Samsung and others did not use their own components in their televisions and that most CTV manufacturers got their products made by original equipment manufacturers.

Zee plans two English channels

It's a perfect example of the more-the-merrier kind. Zee Telefilms chairman Subhash Chandra plans to launch two English channels before 31 December this year. While one of the channels will be for general entertainment, the second one will be a movie channel. However, the exact date for the launch is still to be decided. Following its break-up with Rupert Murdoch's Newscorp, Zee is now free to enter English programming with its own channels. Meanwhile, Zee is all set to launch its Gujarati channel in November. It also plans to launch channels in the four south Indian languages. All the regional language channels will be launched under the 'Alpha' umbrella.

LML partners for out-of-court pact

After the war, it's time to smoke the peace pipe. The Singhanias and Italian two-wheeler major Piaggio – partners in LML Ltd – have decided to opt for an out-of-court-settlement to end their year-long bitter dispute. At a joint press conference last fortnight, the Singhanias, Piaggio C. Spa and LML Ltd announced that they would move all the legal authorities to suspend legal proceedings already initiated. These include cases filed in the Supreme Court, the Company Law Board and the International Chamber of Commerce (ICC). Both the partners have been involved in a bitter legal battle after the Singhanias approached Piaggio for the latter's 23.6 per cent stake in LML. But the Italian company refused to part with its stake, following which the Singhanias took it to court over the matter. In May 1999, Piaggio terminated its joint venture agreement with the Singhanias.



SRF draws up novel stock option plan

Finally, someone has decided to bring the rewards to the ground level. SRF Ltd has drawn up a 'stock benefit scheme' for its factory floor workers and non-officer staff. The objective is to reward all employees in the company's hierarchy should the company improve its performance and shareholder value. As per the plan, factory-floor workers and non-officer staff will get notional stock options, for which they will not be required to make any investment. Notional shares of Rs20 each have been offered to eligible employees. the shares will be encashable at the end of 18 months, when the differential between the ruling market price and the notional price will be passed on to the employees. However, if after 18 months the ruling share price is lower than the notional price, then the employees would not have made any loss as they have not invested any money for the shares. Under the scheme, five lakh shares of the company are being offered notionally to the workers and non-officer staff.

Godrej plans to alter focus

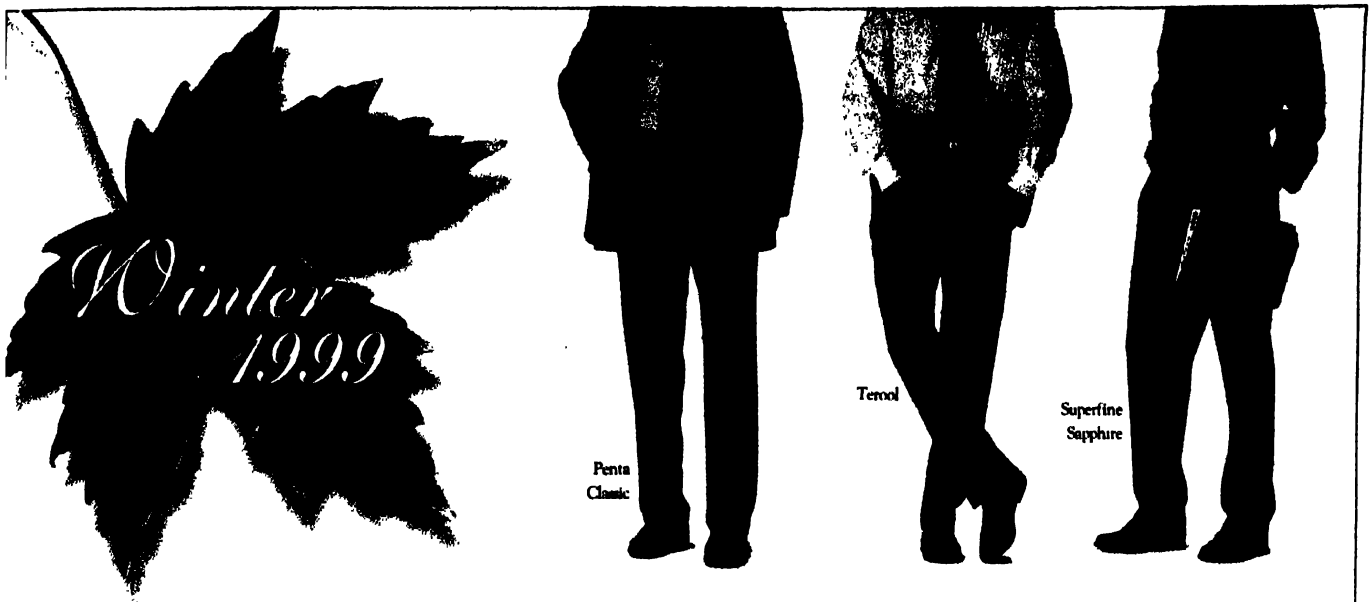
Godrej Soaps will reduce its exposure in businesses other than fast moving consumer goods. According to Godrej Soaps managing director Adi Godrej, the company will focus on a separate consumer products division, which will include personal care products, special purpose detergents, third-party distribution and contract manufacturing of soaps. The sales of the consumer products business was pegged at Rs181crore for the first half of the financial year 1999-2000. The company has decided to reduce its exposure in the bulk edible oils business. According to a release, sales in this segment have already been reduced to Rs14.9 crore in the first half of the current financial year against Rs106.6 crore registered during the corresponding period last year. The company will focus only on trading in the edible oils segment.

Banks to set up Y2K info centres

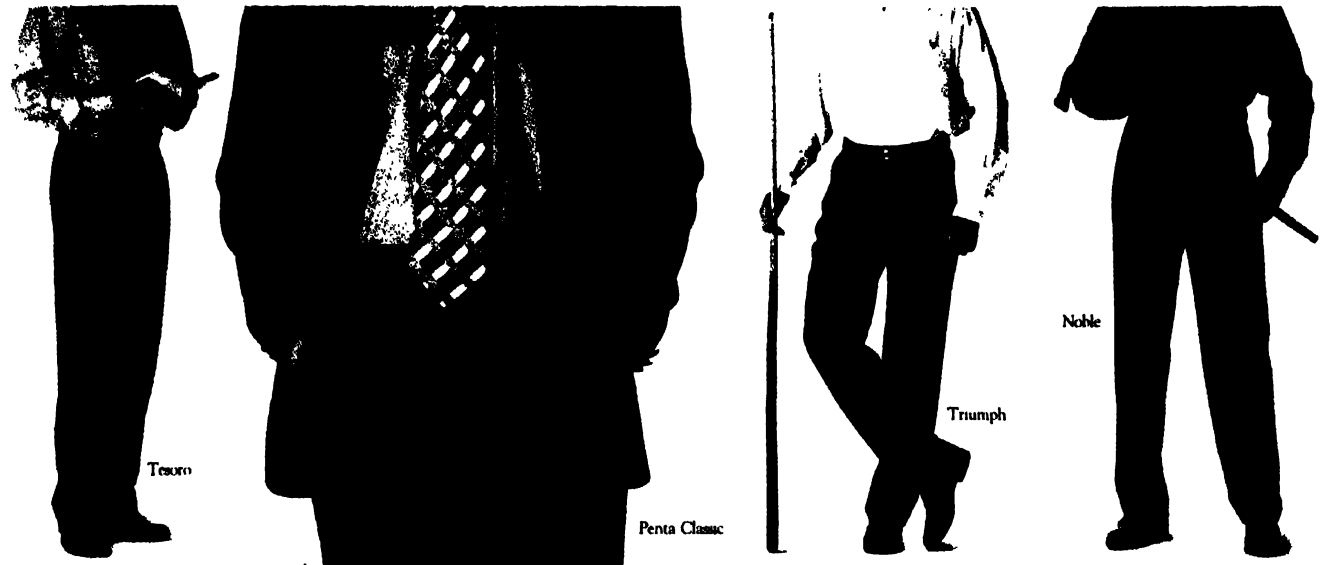
The RBI has asked commercial banks to set up management centres for dissemination of information relating to the Y2K problem. Such centres are to be in place by 15 December. In a communication to the chief executives of commercial banks, the RBI has said, as the demand for information before, during and after the century date change will be tremendous, it is important to consider and develop and have effective year-2000 event management and communication strategies as part of the overall arrangements for the millennium transition. The central bank has asked banks to set up such centres at their head offices, regional offices and at all computerised branches.

TD Waterhouse buys into Tata Finance

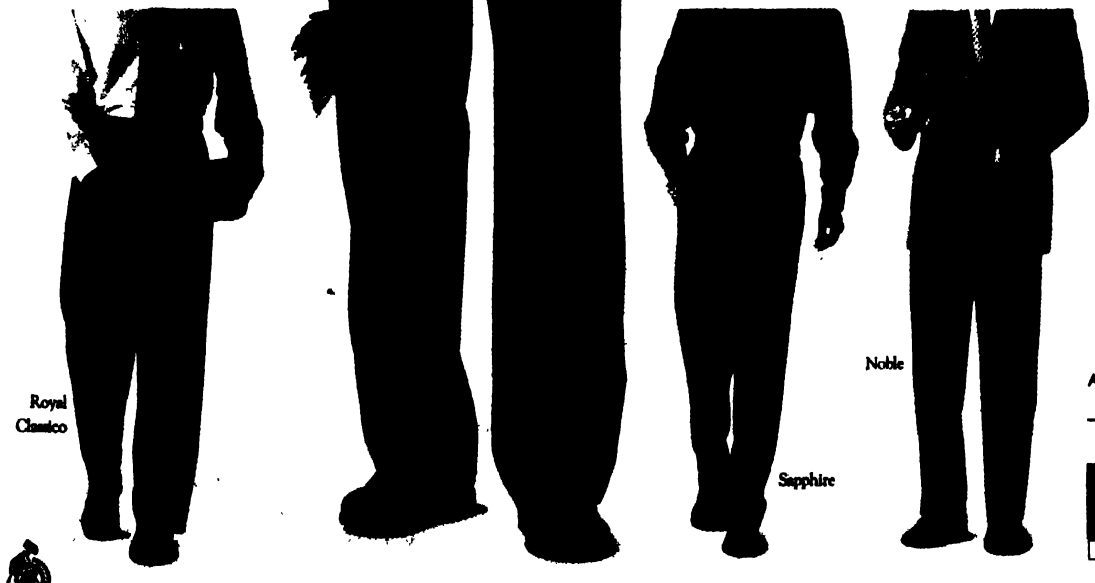
Tata Finance Ltd is selling 49 per cent equity in its wholly-owned subsidiary Tata Finance Securities Ltd to TD Waterhouse of Canada for Rs67 crore. TD Waterhouse is the third largest Internet broking house in the world and manages assets worth over $100 billion worldwide. Tata Finance Securities is planning to change its name to reflect the new ownership pattern. Tata Finance and American Express had earlier announced plans to float a joint venture to promote money changing and foreign exchange services in the country. According to a news release, the Tata group would initially hold 74 per cent in the proposed venture, while the American Express would hold 26 per cent. •



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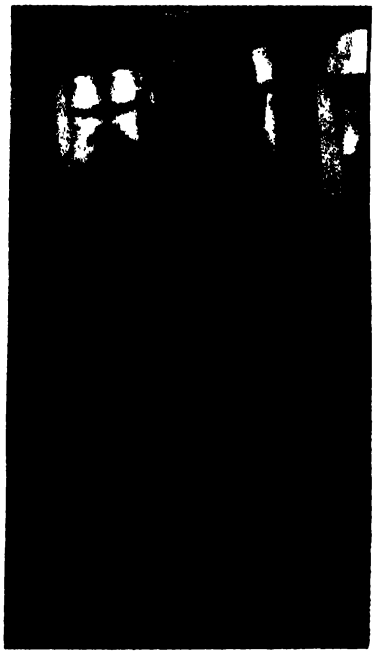
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The Pune-based Pride Hotels Pvt Ltd has been successfully running a five-star hotel in the city for the past 12 years. Pride Hotels Pvt Ltd is now expanding its five-star chain of hotels into other cities. In fact, it has already acquired Hotel Jagsons Regency in Nagpur and has completely renovated it to upgrade it to a five-star hotel. "The acquisition, together with renovation, has cost us Rs14 crore," reveals Ajit Oberoi, director-operations of the Pride Group of Hotels. "By the end of next year, we plan to add another 30 rooms to the existing 68 rooms to our hotel in Nagpur. Meanwhile, we have given it a thorough facelift and added facilities to fulfil the five-star criteria. Recently, the hotel has been renamed as The Pride Hotel, Nagpur," he adds. According to Oberoi, this will be the first five-star hotel in Nagpur and by the end of next year, when 30 more rooms are added, it will also be the largest hotel in that city. A stone's throw away from the airport, The Pride Hotel, Nagpur is also just 15 minutes away from the heart of the city and has excellent facilities for conventions, banquets, conferences, etc, besides offering spacious, comfortable rooms to the business traveller and tourist alike. •

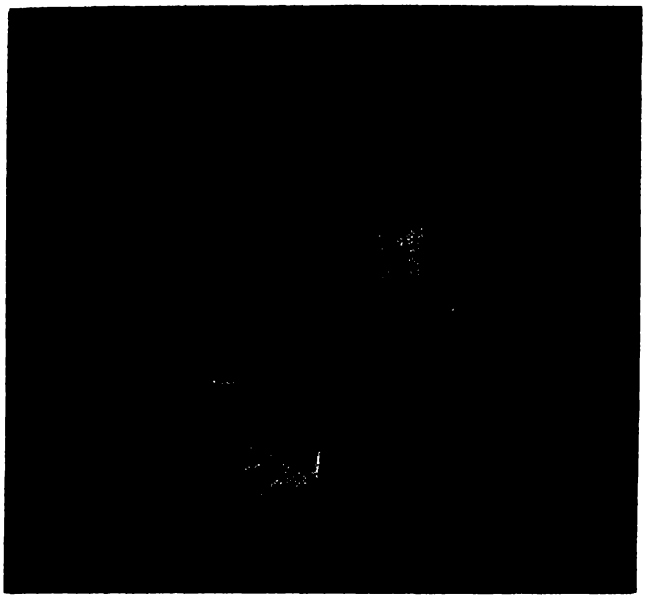


Pune, Dr Y. L. Arora strongly believes, is the next business venue for information technology. In the city for PUNE IT.COM, a four-day international exhibition and seminar, the founder chairman of the New Delhi-based Wisitex Foundation, which organised the event, is all appreciation for the city's large industrial base and the growing number of infotech and telecom units it houses. "The Maharashtra government is also giving a lot of support," says the veteran who organised his first instrumentation and control expo at Kalyan near Mumbai in 1972, and went international at the capital's Vigyan Bhavan in 1976. Having earned his Ph.D in electronics 37 years ago, Arora traces the transition of his field of study from instrumentation to telecom — which he began including as a major feature in 1990 — to IT. About 150 companies from India and abroad participated in PUNE IT.COM, which had over 1,000 delegates at its various seminars. "We give educational institutions a 20 per cent concession to encourage participation," he says. "Medium, small-scale and tiny companies also get state subsidies, which slash their costs by 80 per cent. So almost 60 per cent of the participants come from this category." •

A year after launching joint operations, Hughes Ispat Ltd (HIL) and ZIP Telecom Ltd (ZTL) have now got into the first-ever consumer promotion scheme in telecom services, to make people aware of their chain of STD/ISD outlets. "Going into pay phones initially was to make our services available to more people," explains George Varghese, vice-president (marketing sales and customer service) at HIL. The company, which has over 14,000 telephone lines in Mumbai, Navi Mumbai and Pune, now plans to move into institutional segments, including large cooperative housing societies. The month-long promotion launched in Pune, offering weekly prizes to callers from any of the 650 ZIP phones in the city, is a step towards 'consumerising' basic telecom services, says ZTL vice-president A.P. Srivatsan. "We are following the classic consumer promotion wisdom that availability increases usage," he says. A recent ORG-MARG survey showed that an average of 100 people use the 850-plus ZIP phones in Mumbai every day. MTNL's traffic is much higher, Varghese admits. "But we are not competing with either MTNL or DoT," he insists. The marketplace is big enough for all players — luckily, they are still in a sellers' market thanks to the poor penetration of phone lines in India. •



KPMG India Pvt Ltd recently launched their e-business competency centre in conjunction with CISCO & Sun Microsystems. Speaking on the occasion, Sridar Iyengar, chairman and CEO of KPMG India said, "Electronic commerce is fast becoming a way of doing business. It is also being seen as a way of doing business better, faster and more effectively. Being driven heavily by technological developments, it is designed to make communication, information gathering and trade between companies and consumers easier and faster. While its sheer power and increasing use make it very expensive for companies to ignore it, the implications are difficult to predict and prepare for." KPMG is one of the world's leading business and IT consultants where as Sun Micro has sponsored some of the major technologies which drive the Internet today such as JAVA, JINI and SOLARIS. The newly set-up centre will be used to develop e-commerce solutions for Indian organisations and to demonstrate how appropriate technology can be used for business benefit. •



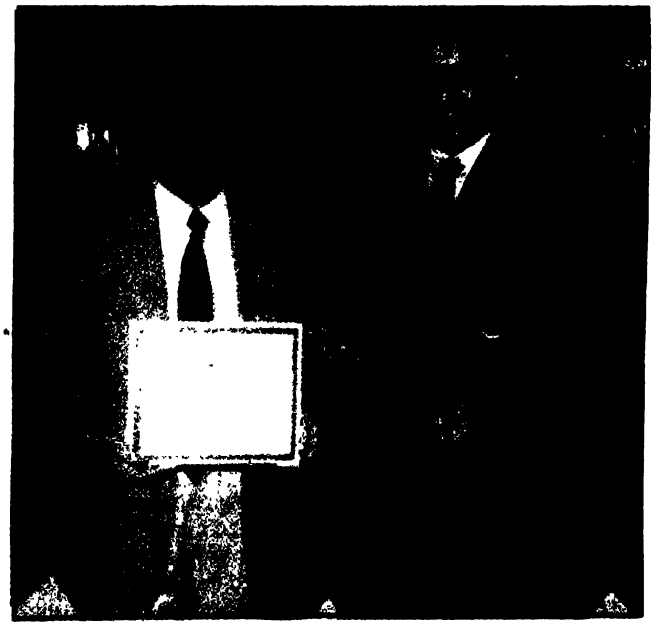
Young & Rubicam Inc has announced the launch of The Media Edge, the $9-million global media management company, in India. The new business unit will have offices in five cities in the country. "The Media Edge provides a unique mix of leading brand media management expertise combined with true global capabilities," says **Paul Woolmington**, president of The Media Edge. "Besides its core management expertise, we will draw a number of proprietary products and resources, including Young & Rubicam's unique proprietary brand intelligence tools, the recently-created Media BAV, a global IT connectivity infrastructure, among others," says **Divya Gupta**, chief operating officer of The Media Edge-India. Young & Rubicam Inc is a global marketing and communications organisation based in New York providing advertising, direct marketing and sales promotion, perception management and public relations, branding consultation, design and healthcare communications services to its clients. •

When Helmut Meixner, Procter & Gamble's vice-president for India, Sri Lanka and Bangladesh, visited Mumbai last fortnight, he was on business of a different sort. It was what he calls "business with a purpose". Meixner was here to launch Open Minds, a P&G-Unicef venture for the education of child workers in the country. "The Southeast Asian crisis took its toll on primary education in the region. So we decided to do something for the children of the region," says Meixner. P&G plans to raise about $5 million in the next three years for the Open Minds fund. Open Minds was flagged off first in the Southeast Asian countries, where it offers various things like mid-day meals for school children, facilities to upgrade the education system, etc. In India, however, the focus is on education for the countless number of child workers who have no access to any kind of education. Open Minds will work with NGOs and community groups to implement the project. The company has committed to raise a minimum of Rs1 crore a year in the next three years for the project. From the sale of large packs of any of its major products, which include Ariel

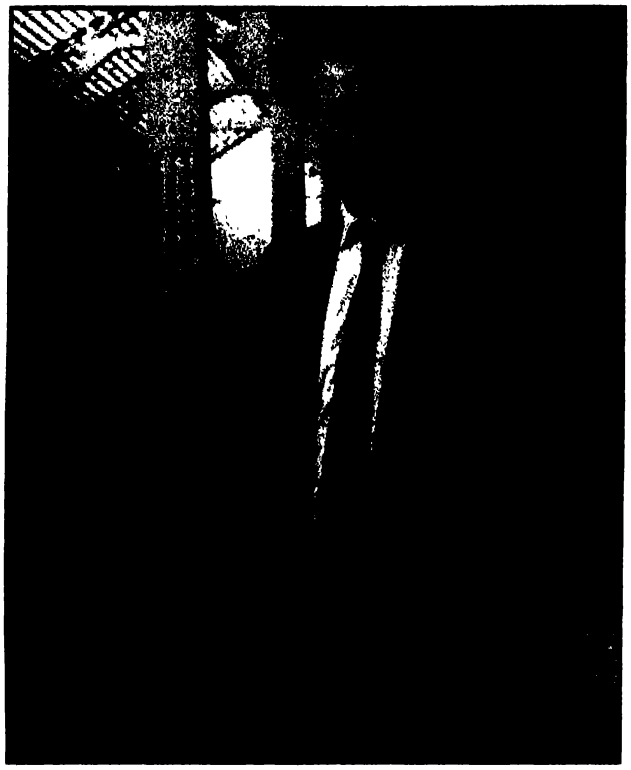


Power Compact, Vicks Vaporub, Whisper, Head & Shoulders and Pantene, the company will contribute the cost of a day's education to Open Minds. According to Mexiner, P&G is also looking at reviving Project Drishti, which has so far restored the sight of 109 young girls in the country. •

Asia's first certified eco-friendly five-star hotel, The Orchid, recently won the green Hotelier and Restaurateur Environmental Award 1999 from the International Hotel and Restaurant Association in cooperation with the United National Environment Programme and the International Hotel Environment Initiative. This year's award highlights the promotion of sustainable tourism, one of the key themes addressed by the United Nations Commission on Sustainable Development. Sponsored by American Express, the IH&RA award drew applications from 82 green hoteliers across the globe with the highest number coming



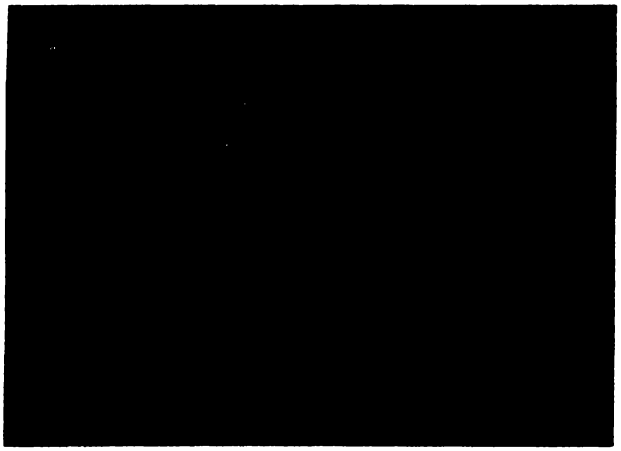
from Asia Pacific, followed by Europe, the Americas, the Middle East and Africa. A cash price of $2,500, an engraved plaque, a trophy and a diploma was awarded to The Orchid. Commenting on the award, **Vithal Kamat**, managing director of The Orchid says, "Thanks to the efforts put in by the dedicated staff of the hotel, we have won this prestigious award for outstanding contribution to sustainable tourism in competition against 82 global hospitality organisations." "Our commitment to environmental preservation has been underlined with this award," says **K. P. Kannampilly**, director of The Orchid. •



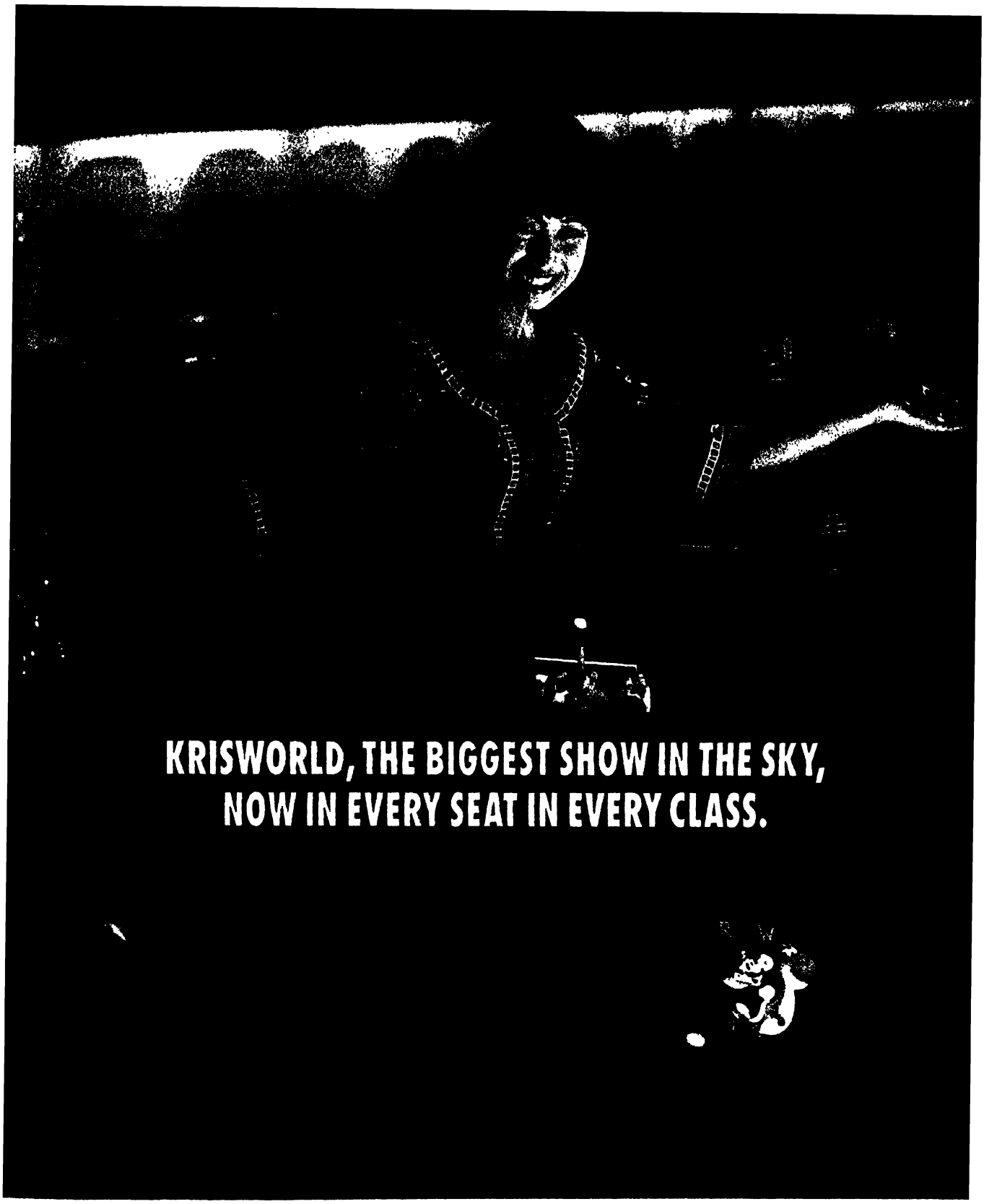
Dr Robin Bidwell CBE, chairman of Environment Resources Management plc (ERM) was in Mumbai recently to award a citation to Tata group chairman Ratan Tata. He took some time off to chat with *Business India* on how environment resource management is increasingly the new business strategic tool for competitive advantage. Bidwell says, "The environment is no longer a nuisance. Going forward, this social, community and safety issue will have to be addressed effectively. Sensible policies by business with dialogue and education of those affected going hand-in-hand are the tentpoles for the future." ERM has recently opened a Mumbai office and it expects business to flow from this new outlet rather rapidly. It hopes to leverage its global skills efficiently in the Indian market as well — managing long-term pressures, population, economic growth and equity (geographical and generational). Tisco has used ERM in the past for its Gopalpur resettlement project. Bidwell says, "Solutions will be driven by business, communities and globalisation as much as by government and regulation." Bidwell has written extensively on environmental management issues and was a member of the European Commission's task force on the environmental implications of the European Union. Specialising in government-business interface, Bidwell now hopes India will be a major target area for growth. ERM is a global consultancy advising industry and governments on environmental management and social resource issues. •



Titex India has just completed one year in the country. It inaugurated its manufacturing plant at Pune in October 1998. Titex India MD **Werner Kraher** recently organised a seminar on 'High Performance Cutting Tool's, which is what Titex India manufactures. According to Kraher, the first full year of operations for Titex India is from 1 January 1999 to 31 December 1999. "In this period we are targeting sales of Rs7.5 crore and at the end of nine months we are definitely on target," says Kraher. The Titex client list includes companies like Bajaj Auto, TVS, Hero Honda, Telco and Maruti among others. The Titex factory at Pune is already running in three shifts and, at a recent board meeting, the directors actively considered further investment and expansion plans. The only competition that Titex has in the high productivity rotating tools that it makes comes from Widia (Bangalore) and imports. In solid carbide tools, Titex has already cornered a market share of 20 per cent. "If we work hard enough, in the next two-three years we can become market leaders in our product lines and that is what we are aiming at," says Kraher. •



US healthcare giant Aetna Inc is looking to India for continued help in the scalability and application enhancement of its programmes, according to **Diane Wallace**, chief information officer of the $22-billion company's biggest business division, Aetna US Healthcare. At Hinjawadi near Pune for the inauguration of business partner Infosys Technologies Ltd's new software development campus, Wallace said her company has a dozen ongoing projects with Infosys, including Aetna's Y2K programme and a large part of its legacy systems. "They can help us with all our activities, especially our e-commerce projects where we have staffing shortfalls," she says. "Our new offering, e-health, is in line with our business strategy of using technology to transform the way we do business." Aetna, with 44,000 employees providing healthcare services to 21 million 'members' worldwide, is 'the momentum driver' for the new facility, Infosys West, slated to provide '300 to 400 people worth of work' in the next couple of years. •



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Diesel doldrums

The recent increase in diesel prices has increased the urgency for manufacturers to make their engines more efficient

A fuel price rise was expected, says Gajendra T. Vasa, the newly elected chairman of the Indian Diesel Engine Manufacturers' Association (IDEMA). But yes, it will have an adverse effect on the Rs2,500-crore industry, especially in exports, where the manufacturers will have to absorb any increase in production costs incurred to improve fuel efficiency. "The effect will be slight, and temporary till people adjust to the new scenario," says Vasa. "And if the prices of other fuels are also raised, it will neutralise the disadvantage to us."

Not everyone is so sanguine. A 40 per cent hike was not expected, says J.L. Deshmukh, managing director of Cummins India Ltd. Customers, especially for the larger ranges – 400–500 horsepower and above – will think twice before buying new engines. "The next three or four months will be crucial," he says. "As it is, the first six months of 1999–2000 have not been so good for most industries. This will leave only the last quarter to do any catching up, so the entire year's performance will be affected." He does agree, however, that increases in power and heavy-fuel costs will reduce the burden on diesel engine makers.

The silver lining is that everyone will work harder to make their engines more fuel-efficient. This will be a good thing in the long run, says Deshmukh. Cummins' main competitor Caterpillar claims it has an edge in the new scenario. "Our engines have excellent fuel efficiency," says an executive of GMMCO Ltd in Mumbai, which markets 'Cat' engines in north and west India.

The diesel engine market has come a long way from the days of protection only a decade ago, says Atul C. Kirloskar, chairman and managing director of Pune-based Kirloskar Oil Engines Ltd (KOEL). With demand outstripping supply, it was enough to be just there to prosper. "Aspects of quality, research and development, or performance could take a back seat," he says. "The 1990s jolted us from our slumber." Indian manufacturers have the potential to attend to the technology and manufacturing cost challenges, but both they and their component makers will have to invest to produce environmentally friendly engines of international quality. "The survivors will be the manufacturers who can achieve the required quality at affordable price and leverage their knowledge of the

CELLPHONE SERVICES

Upwardly mobile

You rarely see a mobile phone number printed on a visiting card, but it is common for cellphone subscribers to use their handsets as glorified pagers, identifying callers and then rushing to a nearby landline phone to call back. Thanks to TRAI these habits will soon be a thing of the past. By the time you read this, mobile phone users will have stopped being billed for incoming calls. In addition, TRAI has also lowered airtime rates for outgoing calls to Rs4 per minute in the metros and Rs4.50 in non-metro circles effective 1 November.



Kumar and Selvakumar expect that CPP will signal the start of 100 per cent growth

"This will, in one stroke, make mobile telephony extremely affordable to consumers. What will happen as a result is that cellular usage will increase sharply and with that the subscriber base across the country, which was so far growing at the rate of 60 per cent annually, will go into a new growth orbit. We expect growth rates to easily exceed 100 per cent as a result of the introduction of the CPP (calling party pays) system coupled with lower airtime rates," says an upbeat Jayanth Kumar, managing director of BPL Mobile.

Sandeep Chakrabarti, vice-president (marketing) of Birla AT&T, agrees. "We are gearing up for a sharp spurt in the subscriber base. In fact, we expect a 50–100 per cent increase in the number of subscribers in the next six months. There are currently 1.3 million mobile subscribers in the country and this is expected to double within a year." But the flip side of the CPP system is that those who call a



PRAKASH JADHAV

Fuel and lubricant consumption needs to be reduced, says Vasa

domestic market," he adds.

The 47-member IDEMA, set up by diesel engine doyen S.L. Kirloskar in 1968, is seized of the urgency to improve its members' product quality. An IDEMA technical team has evolved a draft standard on emissions, pollution, and noise for diesel generating (DG) sets. "There's no country in the world that has set standards for DG sets," says A.R. Jamenis, executive vice-president at KOEL and outgoing IDEMA president. "But we feel this is crucial in India because many multistorey buildings have them, causing problems for people around — especially patients in hospitals nearby." The suggested norms, evolved after soliciting the views of the association's members, have been submitted to the Central Pollution Control Board and its final verdict is awaited. "A favourable response is expected soon," says S.G. Sardesai, a senior R&D executive at KOEL who chaired the committee.

Improvements are already on. The worldwide trend towards direct-injection engines will both reduce noise and emission levels and fuel efficiency, explains Dr R. Mahadevan, executive director (technical) at Chennai-based India Pistons Ltd. There is also a continuous process of reducing emissions of nitrogen oxides, carbon monoxide, hydrocarbons, and particulate matter in line with changing norms, says K.L. Suryanarana Setty, divisional R&D manager at Motor Industries Company Ltd in Bangalore.

India's 1.1-million-a-year engine industry, however, has problems: notably, the high cost of emission certification for exports, which needs to be done abroad. This is an item high on Vasa's agenda as IDEMA chairman. Vasa knows the difficulties — he is managing director of Rocket Engineering Corporation Ltd in Kolhapur, whose exports worth Rs5 crore account for around 30 per cent of turnover. "I will be talking to agencies like Sidbi to assist small manufacturers who need certification," he says.

• SEKHAR SESHAN

mobile phone from a landline will have to pay more and will that reduce traffic. "Not really," says Jayanth Kumar. "Don't forget that 47 per cent of DoT's revenue comes from 2.6 per cent of its subscribers. Therefore, for these high-end DoT users, the increase in rates won't matter much."

Samuel Selvakumar, BPL Mobile's chief operating officer for the Maharashtra circle, draws attention to the comparative populations of landline and mobile phones. For example, in Pune, there are over 7.5 lakh DoT phones and only 33,000 cellphones. "So even if 10 per cent of DoT subscribers make regular calls to mobile phones the growth of call traffic to mobiles will be substantial. Moreover, after introduction of CPP, cellphone subscribers who earlier would only selectively reveal their numbers will now do so freely and this too will result in increased incoming call volumes."

On the other hand, another top official of a cellphone service provider says the immediate effect of the CPP regime will be a substantial drop in revenue. "Prior to 1 November we were assured a minimum of Rs6 per minute for every outgoing and incoming call. Now we will get only Rs4.50 per minute for outgoing calls and Re1 for incoming calls. This means that, in the short term, revenue will drop by as much as 40 per cent. These will come back to current levels only after the subscriber base doubles, which may happen only after a year. Again, while it is true that the number of subscribers will go up as a result of CPP, this will entail more capital investment in switches, cellsites, etc. In short, the fixed cost per subscriber will remain the same, while margins will come down and volumes will drive the business. For cellular operators the real benefits may be visible only after a year or so."

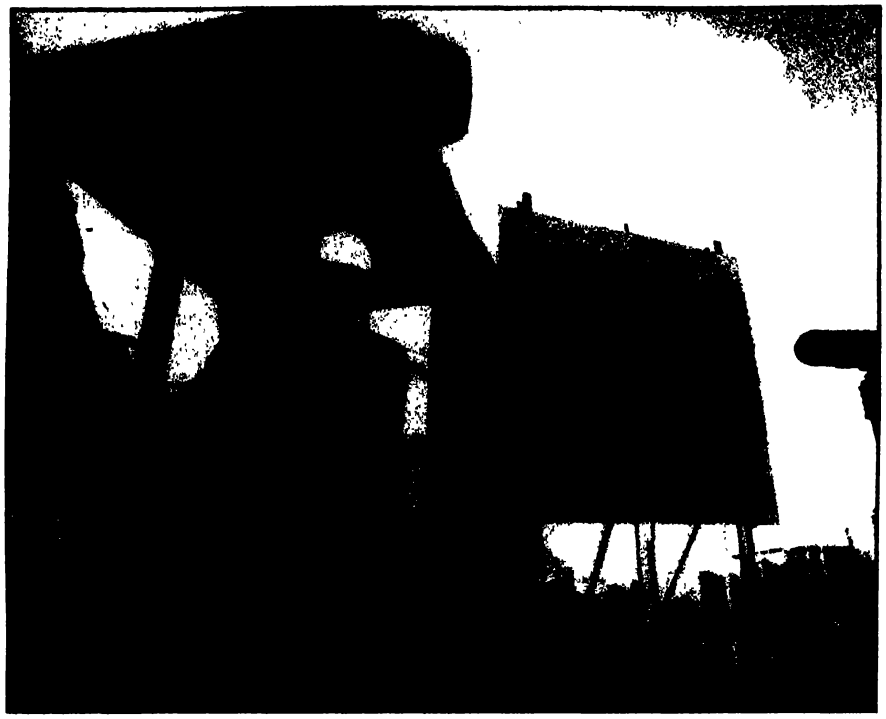
But Jayanth Kumar is more optimistic and is confident that the volumes will compensate for the drop in revenue in just a few months' time. However, everyone in the industry agrees on the fact that the consumer will be the biggest beneficiary and the substantial reduction in rates will bring mobile telephony much closer to the common man.

• ROOP KARNANI

EXPO 2000

Where all the world's a stage

Hannover is investing DM3,488 million to urge the world to get the world to stand still and take stock as it enters the new millennium. Amidst debate about whether such investments are required at all in a day of easy communications, the city is gearing up for the mega event of the



IN-PRESS/EXPO

German chancellor Gerhard Schröder inspects the site at which Expo 2000 is taking shape

century, the world exposition Expo 2000, which it is hosting between 1 June and 31 October 2000. With ecological concerns as its central theme, the expo will showcase the evolution of technology and the solutions it offers for the solution of environmental problems.

Divided into four segments — national pavilions, thematic area, worldwide projects, and cultural and events programme, Expo 2000 has attracted participation from 193 countries and international organisations. It's rather unfortunate, though, that a world exposition of this scale has not been able to rise above the political agendas of its participating countries — that countries such as Taiwan, North Korea, Iran, Afghanistan, and Somalia should have been kept out. The pace of work going on at the 160 hectares of the Expo site is partly dictated by the enthusiasm of its participating countries, and some of them have their own internal problems to sort out before they can look at Hannover. But at Hannover the countdown has begun (a backward moving clock at the city centre stands testimony to that).

Resembling a huge construction base with huge cranes looming over its skyline, the city is getting a complete makeover for the gala event eight months away. Not surprisingly, the citizens aren't amused. They still need some convincing about the purpose of it all. Of course, Expo 2000 Hannover GmbH has been doing its best to win the public opinion over. The line it has taken is that this initiative only brings with it infrastructural development, which in turn will give impetus to the local economy. And Dr Herbert Schmalstieg, mayor of 26 years, promises: "Everything should be ready by the end of 31 May 2000."

With 'sustainable development in the 21st century' as its central theme, the Expo will be the stage for innovative ideas and solutions from innumerable designers and technologists from all over the world. In part, it will showcase the fact that technology today is making a U-turn in a bid to restore the ecological imbalance it has time and again been accused of having disturbed. A particularly touching tribute to traditional methods of construction will be presented at the Zero Emission Research Initiative (ZERI) pavilion in the 'thematic area'. On show will be a structure combining cement and bamboo. Germany, which (like its neighbouring countries), has leaned heavily on wood as building material, will have something to look forward to in the Finnish case study on the use of wood from sustainable forestry.

The Japanese pavilion – a very strong building made out of recycled paper – is expected to be the biggest draw. Bhutan also is an example of using special eco-friendly wooden boards. The Netherlands will have its say on wind power and water management. The aesthetics of the Expo site have all the makings of a city by itself. The thematic area will create a virtual reality scenario on conservation of natural resources. What has been skipped is the vital area of waste management. China will have a permanent pavilion, which will later serve as a Chinese centre vending Chinese food and medicines.

Interestingly, Indian participation is fairly vast. While changes at the helm at the Indian Trade Promotion Organisation have led to a few changes in the national pavilion at the fair, India's biggest contribution will be in the worldwide projects segment. A more serious attempt at addressing ecological issues, this chapter of the Expo congregates projects implemented elsewhere in the world. And in this corner, Indian designer Rajiv Sethi's name is an oft repeated one, thanks to his unique pavilion on basic needs.

While there's no doubting the Germans' earnest when it comes to environmental issue, this attempt at 'infotainment' clearly lacks depth. Its inability to back up the splendour of its grand pavilion with technical and informative insight can be disappointing to the knowledgeable visitor. But the Expo officials are very clear that the main chunk of its estimated four million visitors will be the man from the street, whose span of attention will be very short, and the effort is angled at gripping his imagination in that short time. Further, with 60 per cent of the visitors being German and 35 per cent coming from other European countries, there's no reason to turn the Expo into an education as a visitor from the Third World might expect.

• SANCHITA DAS

FOREIGN BANKS

The Portuguese have returned

The turnaround in the Indian economy and the booming stockmarket have caught the attention of big-ticket investors, and not just foreign institutions and insurance companies. The latest entrant is Portuguese bank Banco Naçional Ultramarino, which quit India a good 38 years ago. The Portuguese state-owned (99 per cent) Caixa Geral de Depositos (CGD) group, with an equity of 2.7 billion euros and assets over 49 billion euros, is the holding company of BNU, the banking brand used outside Portugal. "We are a universal bank and offer a wide range of products from commercial and retail banking to insurance to mutual and pension funds to leasing through various subsidiaries," says chairman João Salgueiro.

BNU was established in Lisbon in 1864. In 1868 the bank opened its first branch in Goa, which at the time was under Portuguese administration. In 1919 it came to Bombay. At the end of Portuguese rule in Goa in 1961, the gold pledged by locals to BNU was whisked away by the erstwhile rulers.



SANJAY BORADE

Salgueiro says BNU's focus will be cross-border loans and syndication

What's interesting is that the bank, which left the country in 1961 out of political compulsions, should be keen to do business here again. Says Salgueiro, "The bank wound up its Indian operations in 1961 because of a different set of political compulsions. BNU's return to India should not be linked to its exit. The bank is coming back because of a truce reached between India and Portugal in 1991 and the subsequent trade accord reached between the two countries two years ago."

Under the truce accord reached in 1991, BNU handed over nearly 5,551 sealed packets of gold weighing around 280,582g to the Panjim branch of the State Bank of India (which was appointed the custodian and trustee by the Indian government) against a payment of $47,348 in August 1991. This was in lieu of the loan outstanding in the books of the Portuguese bank as on December 1961.

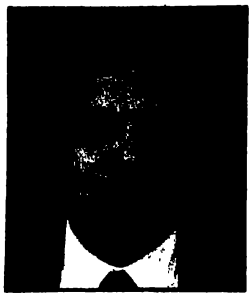
According to SBI officials the valuables were intact under the original seal and had the original papers identifying the individual owners. SBI was able to trace ownership of around 3,500 packets against a loan recovery of around Rs9 lakh. Under the Portuguese banking laws prevailing in Goa at that time, BNU charged an interest of 4 per cent for only the first five years of the loan tenure. The payment made by SBI included the accrued interest on loans and a 6 per cent commission for bringing the gold to India. Nearly 2,000 accounts are still pending as some of the claimants have lost their receipts. Many in fact destroyed their receipts, presuming that the gold would never be returned, while several of them have since died and their heirs have no knowledge of the gold pledged. "The bank is neither holding the gold for profit nor is it charging any interest for its return to the owners," says one SBI official. "It's more out of social obligation. The bank will auction the unclaimed gold after providing for a reasonable time to the legitimate owners to come forward."

Firdaus Khambatta, the bank's chief representative in India, says: "Returning the gold at pre-1961 rates and at the original terms and conditions in 1991 was a goodwill gesture aimed at establishing rapport with India and pave way for business possibilities at an opportune time." Salgueiro adds: "As part of its global expansion plans the bank is establishing a presence in Portuguese-speaking countries and those where Portugal has trading relations."

In Europe it has expanded to Spain and France, and in Latin America to Argentina, Mexico, and Brazil. Besides, it has also opened branches and representative offices in South Africa, Mozambique, and Macau. In all, the CGD group has 1,131 branches, 392 of them outside Portugal. "The large Indian community in Portugal has cross-border trade activities including with India and BNU is attempting to bridge this gap," says Khambatta. BNU obtained a licence to open a representative office in Mumbai and an extension office in Goa in December 1998 and it finally did so this month.

"The Indian economy is booming because of the reforms initiated over the past decade. We see trade between India and the European nations increasing and we would like to participate in cross-border loans and syndication," says Salgueiro. However, a representative office cannot take deposits from the public or extend loans. "Our plan is to build a presence in cross-border financing and helping domestic companies to do business in Europe and other nations," adds Khambatta. BNU chose a representative office and not a branch as it does not see economic sense because of the statutory 40 per cent priority sector lending and high CRR and SLR requirements.

• ROHIT RAO



BRIJ KHINDARIA

The author is an international columnist for Business India

Stem the rot

Vajpayee will have to create confidence in investors – both foreign and Indian – if the nation is to witness good times

Vajpayee's new government has put the wrong items on the top of its agenda if its aim is to bring to India and its people good health and prosperity. The first necessity is transparent and vigorous measures. These measures will make those living inside as well as outside India confident of investing in the country.

Other priorities, including boosting infrastructure, energy, telecommunications and information technologies, restructuring banking and privatising the public sector units, should be put in the number two position. These are the wrong priorities because, in a modern economy, all of them are out of the hands of the government. The developments of the recent decades have made it abundantly clear that all the economic actors in India – the states and the private and public sectors – take decisions in response to market forces. They are driven by demand, not by the commands of Delhi.

It is now beyond doubt that India is no longer a command economy. Rather, it is a mixture of market driven forces and market rigidities that prevent investments from bringing about the expected fruitful results. Even such obvious issues as privatising PSUs are out of the government's hands, because private investors do not want to buy into losers. The one common factor is bureaucratic arbitrariness, greed and nepotism, which encourages crony capitalism.

In any case, delivering the government's agenda is impossible in any reasonable future, e.g. 10 years, because of political divergences, incapacity to handle money fruitfully and the reluctance of major international companies with the know-how and money to make commitments to India.

However, there is a magic wand capable of creating the conditions necessary to realise all the above-mentioned goals almost automatically and avoiding the usual insuperable porridge of confused policies, goals and crossed lines. That wand is to take immediate measures to create confidence in India's people and foreign investors about investing in the country. Without people's optimism and participation, no progress is possible.

The single stroke that will create this confidence almost immediately is to impose accountability on India's ill-informed bureaucrats and, to a lesser degree, on its politicians. Currently, bureaucrats are accountable only to themselves and, naturally, always take care of their own. Bureaucratic mistakes, and even corruption, result, at worst, in transfers to cities distant from Delhi. No exemplary punishment is ever handed out for anything. And for the failed bureaucrat, the politician is always a convenient scapegoat.

The simplest and most transparent way to create confidence is to appoint a panel of five judges as an ombudsman. This panel should be supported by proper prosecuting staffers who will receive, investigate and prosecute complaints against government officials at all levels – from the clerk to the cabinet secretary. A one-judge ombudsman has no in-built checks and balances; and prosecuting and investigative work for such complaints cannot be left to normal channels like the attorney general's office and the CBI because the top bureaucrats control appointments in those services.

The ombudsman can be set up in the first 100 days of the government and can set an example for the rest of the world in governance — an area of maximum concern to all developing countries and potential investors. Vajpayee can make a name for himself and India in geopolitical history by setting an example for the world on how to build confidence in its government and its rulers. A separate five-man panel will also reduce the workload arising from some public interest and other litigation in the Supreme Court and the high courts.

As soon as the people, especially business people in India and abroad, realise that they do have impartial and quick redress against humiliation by bureaucrats, market forces will create the conditions needed to build India's infrastructure. India is a rich market. Unfair, arbitrary and nepotistic treatment, usually by government agencies acting as bottlenecks, is preventing the know-how and money required to lift it out of poverty. Even tax revenues may improve, if people know that they are protected from unfair harassment.

India's economic prospects will become rosy indeed if, in addition to the ombudsman, Vajpayee and Yashwant Sinha bring in dynamic policy frameworks in infrastructure, energy and communications related sectors. Safe water and poverty alleviation will become a reality in the lives of poor people. ♦

MARUTI

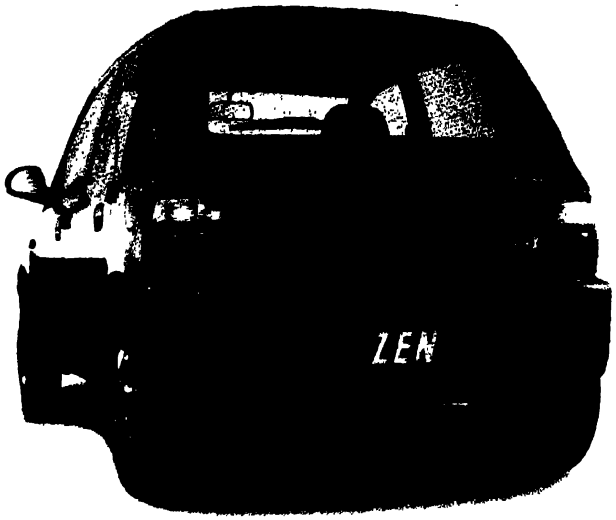
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Like Banqo's ghost, the Bofors scandal has been haunting the country's political life ever since it erupted in the mid-1980s. Time and again it has propelled the Congress to distort the normal political processes just to stay on course. If incalculable damage has been inflicted on individuals and institutions in the process, the Congress so far has shown scant concern. But with the endgame appearing in sight, a new awareness is gripping a section of Congressmen who feel the party needs to get over its "Bofors legacy".

Sample the bare chronology of the scandal. To begin with, it brought down a prime minister. With the CBI investigators turning the heat on him, Rajiv Gandhi, as leader of the Opposition, was forced to collude with a disgruntled Chandrashekhar to bring down his Nemesis (Vishwanath Pratap Singh). It did not make life easy for P.V. Narasimha Rao either, as he was under constant pressure to derail the probe. It is said that one of the reasons why one of the two United Front prime ministers, H.D. Deve Gowda, perished so quickly was because the CBI, then headed by Joginder Singh, had become hyperactive on the Bofors investigations and the Congress, which was the main prop of the regime, did not exactly relish the prospect. It can also be safely deduced that one of the factors that contributed to the Congress decision to engineer the Vajpayee regime's downfall in February was the tightening noose on the Bofors suspects: the CBI chargesheet in the case was then in the process of being finalised.

During the recent election campaign Gandhi tried to push the BJP on the defensive by claiming that her political rivals did not have a shred of evidence against her late husband in the Bofors scandal. Yet, she alleged, the BJP had persistently derived political mileage out of the scam by accusing Rajiv Gandhi of being the prime beneficiary of the kickbacks reportedly paid by the Swedish gun manufacturer to influence the government of the day.

Sonia may have been tempted to cock a snook at the BJP because of the established usefulness of the 155mm howitzer gun in snuffing out the Pakistani intruders from the Kargil sector. In fact, a section of the Delhi Congress had gone to town parading cardboard cutouts of the Bofors gun to score a point over the BJP. The accompanying slogan: a weapon which had been dubbed as "junk" by the Congress party's rivals in the past had retrieved the country's honour during the Kargil conflict.

The BJP struck back with devastating effect. Even though the CBI chargesheet in the case had been ready for over two months, the investigating agency was given the go-ahead to file it in a Delhi court just when the newly-elected MPs began entering the portals of Parliament to take their oath as members of the 13th Lok Sabha. While

Italian businessman Ottavio Quattrocchi, NRI Win Chaddha, former defence secretary S.K. Bhatnagar, former Bofors president Martin Ardbo, and Swedish company AB Bofors were listed as the main accused, the name of Rajiv Gandhi figured in Column 2 of the chargesheet "as an accused not being sent for trial as he is no more".

The Congress's immediate response was to protest against the inclusion of Rajiv Gandhi's name which it described as an attempt to "vilify and denigrate" him. The party demanded that the name be deleted from the chargesheet. The government brushed aside this demand, saying that it was not within its jurisdiction to do so. A chargesheet is a formal report to the court; it is for the judges to decide the merits of excluding particular names. Besides, there has never been a legal bar to naming deceased people in a chargesheet. Prominent recent examples were Beant Singh and Dhanu, the assassins of former prime ministers Indira Gandhi and Rajiv Gandhi. As Supreme Court advocate and former CBI official N.K. Mahadevan points out, the inclusion is necessary "to trace the end use of the money which the former prime minister may have received".



Rajiv Gandhi: Dead men tell no tales

The Congress was not only losing out in the legal arena — it was losing out politically too. The parliamentary skirmish on the Bofors issue brought the party's isolation into stark relief. Only the AIADMK came to its rescue. Its recent ally, the Left, turned tail and chose to only question the government as to why the Hindujas, named in the original police report, had not been made co-accused.

A critical follow-up of the CBI chargesheet was the signing of an extradition treaty with the UAE, bringing to a close three years of hard negotiations. The treaty, which will come into effect by the first week of December, will enable the CBI to appeal for Win Chaddha's deportation. Chaddha is now said to be living in Dubai. Luckily for the investigating agency, the deportation procedure in UAE is not as cumbersome as in Britain

Already there is a buzz in a section of the BJP that Chaddha himself may not be averse to striking a deal with the CBI. "It is possible that Chaddha may start singing like a canary if he is given some kind of immunity from prosecution," a source said.

Clearly, the BJP's intentions are to exacerbate the fissures and the unease that surfaced in the Congress soon after the party registered its worst ever electoral performance. A bizarre spectacle unfolded at the meeting of the Congress Working Committee called to discuss and analyse the party's performance. Unfortunately for the Congress, the meeting coincided with the filing of the CBI chargesheet. Unpublished information now filtering out of the Congress headquarters reveals a party adrift.

According to available information, Ghulam Nabi Azad opened the discussions by insinuating that there was an attempt by certain Congress leaders to get Sonia defeated in Bellary. This was the reason why her victory margin was a mere 50,000 votes. R.K. Dhawan chipped in saying that the spate of resignations by party leaders that followed the electoral debacle was aimed at forcing Sonia to tender her resignation. This created a flutter.

Pranab Mukherjee felt the finger of suspicion was being pointed at him. After all, he had triggered off the resignation drama by putting in his papers for the party's miserable performance in Haryana (a state he looked after as one of the AICC general secretaries). He bluntly asked Dhawan what he was hinting at. A free-for-all ensued with a hapless Sonia Gandhi unable to take charge of the proceedings. A senior CWC member present at the occasion later observed: "Narasimha Rao was accused of neglecting the party for his own ends. But even during his days the discussions were structured. Only predetermined issues were discussed and that too in an orderly fashion."

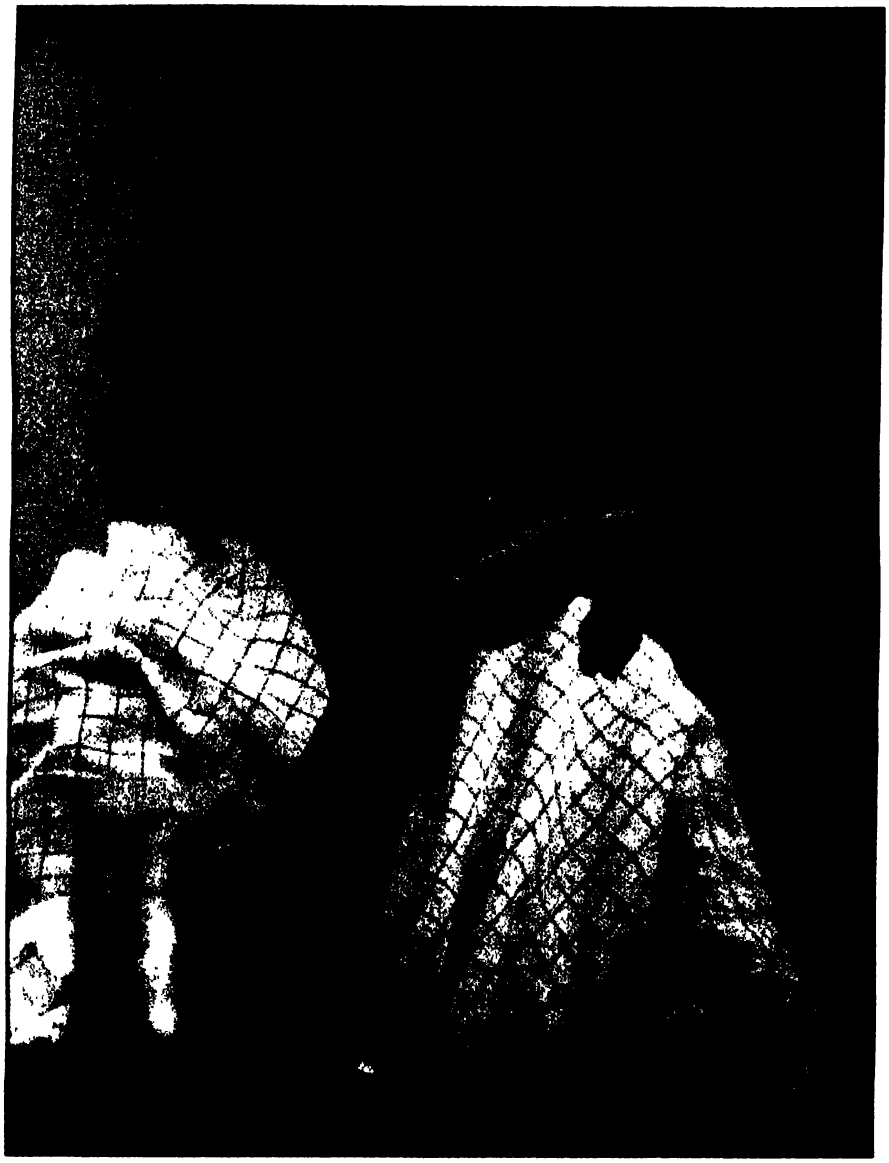
The Bofors chargesheet and the subsequent trial could have a crucial bearing on the internal dynamics of the Congress. In private, some Congressmen are beginning to question how long the party can go on carrying the burden of Bofors. Former Congressmen like Sharad Pawar and P.A. Sangma are expected to covertly stoke this debate. A former minister points out: "Sonia's actual worry is that she could be questioned by the courts about her association with Quattrocchi." Hence, the veiled threat to block the legislative business in the Rajya Sabha, where the BJP and its allies do not have a majority. Sonia's message to the BJP establishment could be: If you want to buy peace with me, leave me and my ex-husband alone. This, as veteran Congressmen points out, reveals a survival and not a political instinct.

The manner in which the Congress has been groping for a strategy and the refusal of the average Congress MP to resort to street-fighting techniques to counter the fallout of the CBI chargesheet left many wondering whether the present leadership was actually equipped to deal with the unfolding developments. A defeated Congress MP from Maharashtra says that even though Sonia Gandhi had emerged as a key crowd-gatherer for the party, "she comes with a price tag". The question Congressmen could be asking themselves in the coming days is: will the price tag be too heavy?

• RAKESH JOSHI

Politics at liberalisation's door

Coalition pangs and opportunistic roadblocks cannot simply be wished away



VIVAN

Mamata refuses to countenance an immediate hike in rail fares

It was an encounter for which finance minister Yashwant Sinha was totally unprepared. When Mamata Banerjee came calling on him shortly after assuming charge of the railway ministry, Sinha got down to brass tacks. He advised the fiery leader from West Bengal to prepare for a fare hike as the government's revenue position was rather precarious. Mamata flatly refused to take the route, saying that she would find other avenues of revenue generation.

The proposed railway reforms commission is set to grapple with the task of rationalisation of railway tariffs, which means a gradual increase in rail fares over a period so that passengers are not subsidised at the cost of goods. Yet, with Mamata Banerjee at the helm of affairs in Rail Bhawan and elections to the West Bengal assembly, her projected political playground, due in 2001, it is unlikely that she will allow any drastic overhaul of the *status quo ante*.

Banerjee's political complusions are one of the several perceived obstacles on the government's roadmap of reforms, outlined in considerable detail by President K.R. Narayanan in his joint address to Parliament.

An intractable hurdle which the government will have to find ways of surmounting is the subsidy bill on kerosene, cooking gas, food, and fertilisers. It has made its intentions known in this regard through Narayanan's address by talking of an "accelerated" time frame for lifting the price control on petroleum products. It has also spoken of a review of all direct and indirect subsidies by an expenditure commission. During its last stint the Vajpayee regime had succumbed to pressure from its constituents as well as the setbacks it suffered in state assembly polls and slowed down on the agenda set by the UF governments to dismantle the administered pricing regime. Moreover, a further hike in marginal prices cannot be ruled out as international prices today are higher than those prevailing in September, the benchmark for the 5 October hike.

Om Prakash Chautala is still not buying the recent diesel hike and N. Chandrababu Naidu has made it clear that he is not happy at the manner in which the price was upped. The government, however, did emerge as a clear winner in the battle of attrition against the striking truckers by refusing to concede their demand of a rollback of the diesel hike.

Last fortnight, the Union cabinet met to clear a slew of pending legislations to put reforms on the fast track. These included the insurance regulatory authority bill, the derivatives bill, the money laundering bill, and FEMA, among others. The buzz was that the government wanted to rush through these bills because the Congress, as the main Opposition party, was more or less in agreement with the substance

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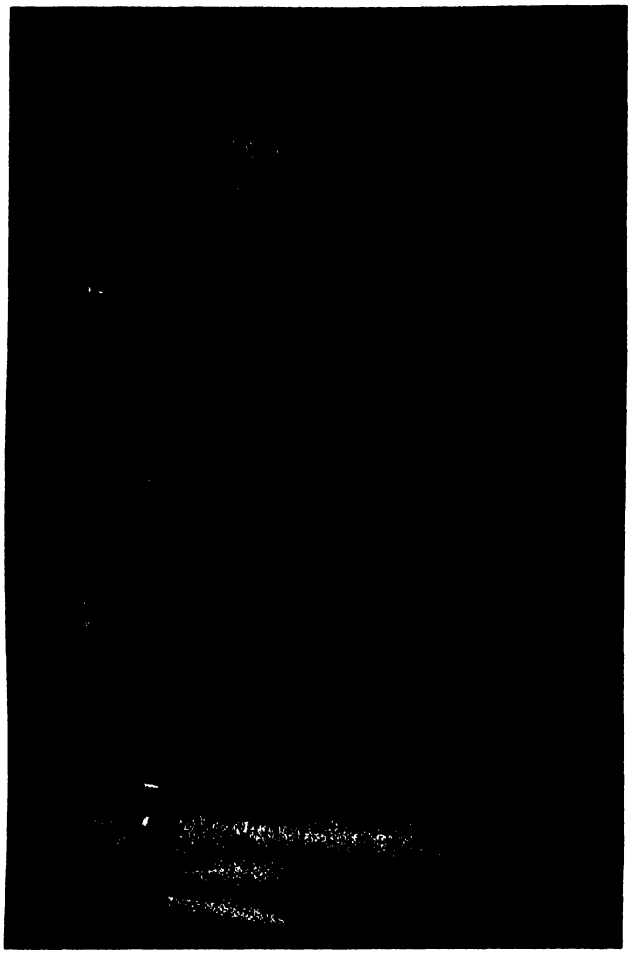
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Source: *IDC figures'99 (49.6% of the network operating systems sold last year were Windows NT Servers); ^PC Quest Users' Choice Awards'99; ^PC World Techies (Readers' Choice) Awards; *Computer Intelligence Inc., May 1998.

of these reforms. But the CBI's decision to file a chargesheet in the Bofors case naming Rajiv Gandhi as one of the accused has the potential of upsetting this unwritten consensus. This is because the National Democratic Alliance does not have the majority in the Rajya Sabha and needs the support of the Congress to get these bills passed.

Madhavrao Scindia, deputy leader of the Congress and Sonia Gandhi's chosen spokesman on matters concerning the Lok Sabha, says: "The government has vitiated the atmosphere by accusing out late leader who cannot even defend himself. We began with a constructive mood of co-operation but they have now forced us to rethink." A section of Sonia's advisors are of the view that the Congress, which found itself isolated in the Bofors case in the Lok Sabha, should try to win the Left over by blocking some of the legislations to be introduced and discussed in the winter session of Parliament slated for mid-November.



RAKESH PATHANIA

Mishra is the PMO's man of the moment

Some of the friction witnessed last fortnight travelled up to the highest quarters. The prime minister's plan to give the economy the highest priority in the initial phase of his new term also encountered minor glitches with turf wars – imaginary and real – breaking out. The role of Brajesh Mishra, principal secretary to the prime minister, invited some unwarranted attention during his recent visit to Washington. Mishra had been conducting WTO talks with the EU and the US as a groundwork for India's stand but this was projected as an attempt by him to step on the toes of Murasoli Maran, a relative newcomer to this field.

Similarly, Mishra's talks with Strobe Talbott stemmed from the need on the part of the PMO to get a feel of Washington's perceptions on the military takeover in Pakistan and the implications of the US Senate's decision to block the CTBT. But the busybodies had it that Mishra was running a parallel foreign office from the PMO, conveniently forgetting that, apart from V.P. Singh and H.D. Deve Gowda, every Indian prime minister since Independence has been his own foreign policy man and has had his own channels of communication which are not necessarily as formal as those of the foreign office.

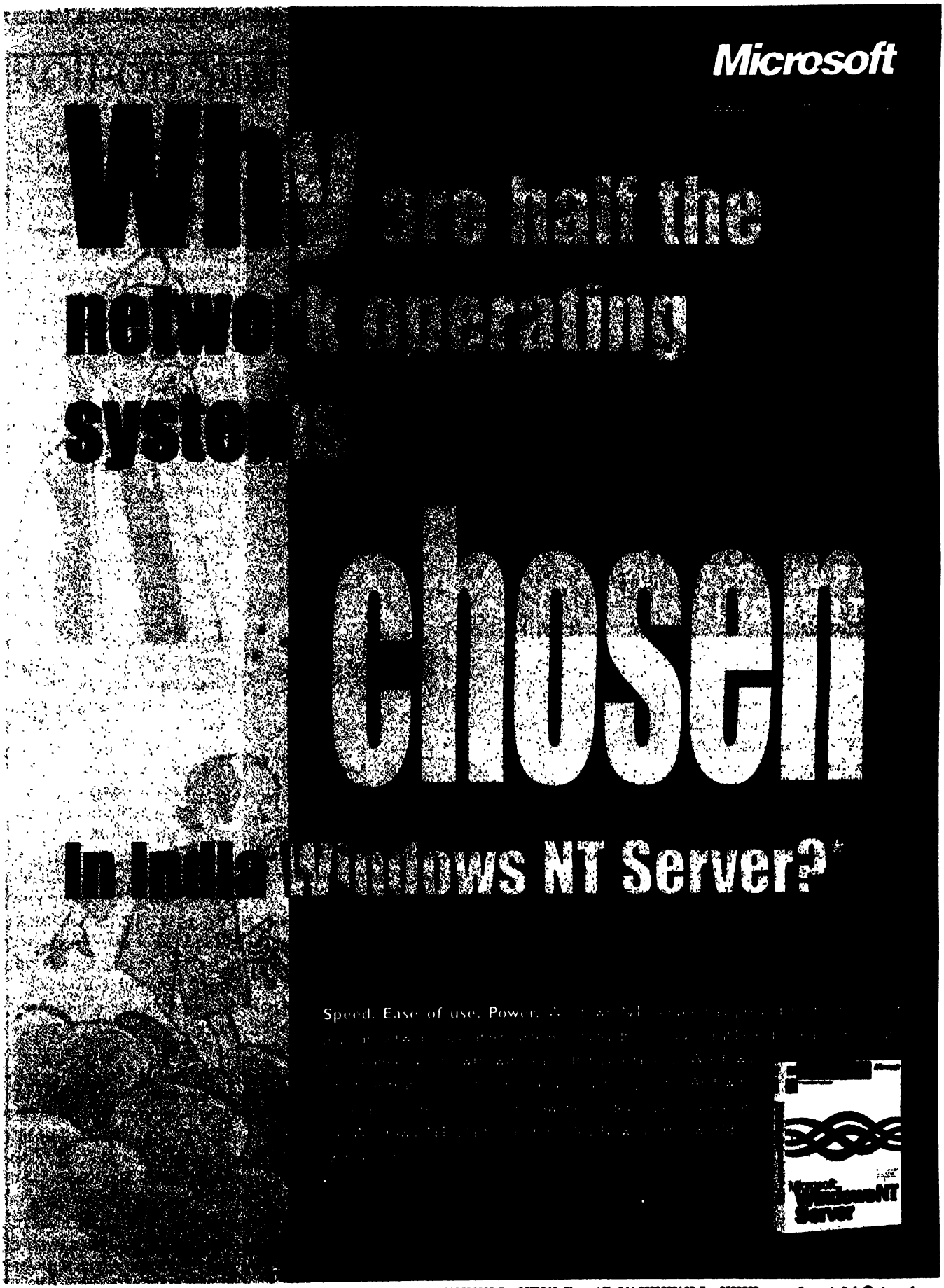
The initial flush of activity in the PMO sparked off some speculation that Mishra was being primed up for the post of India's ambassador to the US, if not cabinet secretary. If that were to happen then Naresh Chandra, presently our man in Washington and one of the most durable bureaucrats of recent times, could be a natural replacement for the vacancy which would arise in the PMO.

Then there was the case of Ram Vilas Paswan, the unlikely communications minister, expressing pre-emptive ire at possibility of an overlap between his domain and the newly-created Ministry of Information Technology. Paswan, who had spoken about his plan to promote Internet *'dhabas'* throughout the country, was miffed at the prospect of this knowledge-based industry being taken out of his purview. The Bihar politician breathed a sigh of relief only when he was told that the licensing functions relating to the Internet would remain with his ministry and the new ministry would deal largely with the promotion of the Internet, e-commerce, matters relating to IT, and knowledge-based industries.

But the man who could make a difference has to be Vajpayee himself. As a senior leader of the NDA remarked, "In his twilight years Vajpayee is like any elderly person who goes out on a *teerthayatra* (pilgrimage), hoping for the well-being and goodness of his fellow beings. Vajpayee wants to leave footprints on history and go down as a man who genuinely reformed the economy."

These are noble words, but the path to reforms isn't always paved with good intentions as Vajpayee's old friend, P.V. Narasimha Rao, would say. In a rare encounter with a group of industrialists recently, the reclusive Rao recalled his own experience of being the helmsman of the reforms process which began in 1991. He said that, by 1994–95, after the Congress lost power in a couple of states, people in his own party had begun to suspect the political utility of the liberalisation plank. "There were implosions within the party and I had to ask Manmohan Singh to slow down the process," he said. Rao added that, as a friend of Vajpayee, he wished him well. But then the present prime minister would have keep his antennae alert to avoid the pitfalls ahead.

• RAKESH JOSHI



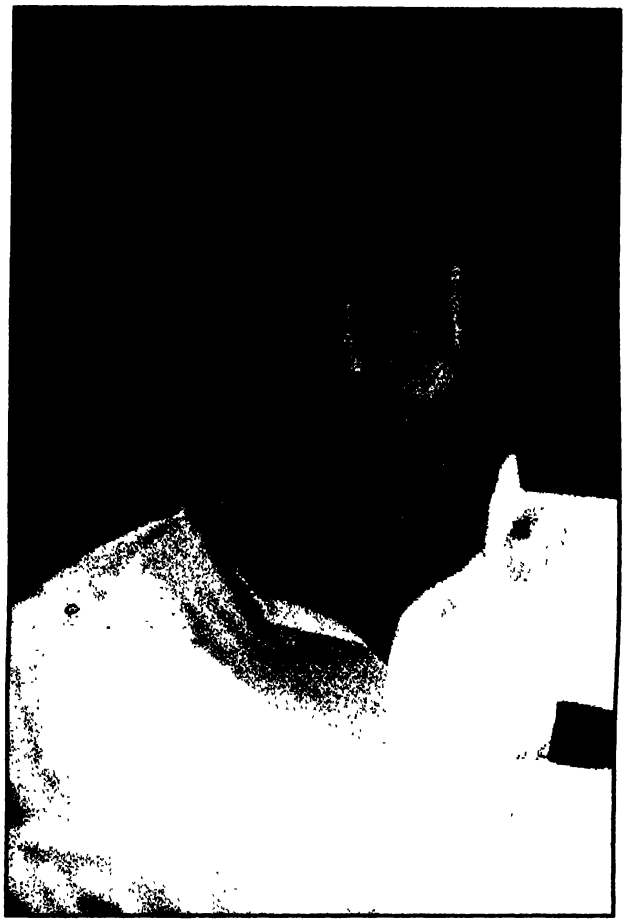
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Roll-on Sinha

The newfound majority of the BJP-led government has strengthened its resolve to adopt bold economic stances

Just last year, the Union finance minister — as part of the BJP-led coalition's earlier innings in government — had acquired the sobriquet of "roll-back Sinha". That lampooning reference had come soon after Yashwant Sinha was forced to revise key resource raising measures announced by him as part of the Union budget for 1998-99, including a hike in petrol prices; in face of arm-twisting from the coalition partners. In contrast, Sinha stoutly overcame similar pressures, from partners Samata Party of Bihar and Trinamool Congress of West Bengal, over the issue of diesel price hike this October. The entire episode portrays vital signs that a tougher minded minister is at the helm of the finance ministry.



VIVAN

It is a bold new Sinha in charge now

There are other pointers that the finance minister might play bolder and more sweeping strokes this time. First, the BJP itself has shown a readiness to play a more determined role in favour of reformist initiatives as far as the management of the national economy is concerned. Prime minister Vajpayee has himself flagged off a hundred-day schedule for fast track decisions concerning various infrastructure and financial sectors. Second, the entry of the DMK from Tamil Nadu has given a fillip to the votaries of economic liberalisation within the government. Its key representative, Murasoli Maran, has lost no time in demonstrating his aggressive intentions in this regard. This factor is already a restraint on the more conservative economic thinking of some of the other coalition partners.

The overall mindset of the new government was demonstrated in the time-honoured inaugural address to the new Parliament by President K.R. Narayanan. By convention, this speech is used by the government-of-the-day to showcase its plans and policies. President Narayanan has the reputation of a liberal minded head-of-state. But even by his standards, the inaugural address on 25 October was unprecedented for the emphasis on a bold strategy of economic reform in order to ensure "rapid and multi-sector growth". The president specifically referred to programmes covering improved expenditure management, a comprehensive overhaul of taxation, speedier restructuring and privatisation of public enterprises, as well as across-the-board reform of the financial sector in India. As proof of such dynamic thinking, the Union cabinet has also demonstrated its determined backing for long delayed legislation such as the Insurance Regulatory Authority Bill, the Foreign Exchange Management Bill, the Prevention of Money Laundering Bill and others. This has ensured a very prominent and busy role for finance minister Sinha when the Parliament reconvenes for its winter session from 15 November.

But Sinha has already warmed up to a bold act within his ministry. This too is in marked contrast to his manner in 1998, when he was given charge of the finance ministry amidst widespread rumours that he was neither the first choice of prime minister Vajpayee, nor of the coalition partners. In 1999, Sinha's assignment has never been in doubt. Senior officials in the finance ministry are already pointing out that in contrast to his previous tenure, there is no fumbling assumption of office, this time. Soon after assuming office this October, Sinha unfolded a hard-headed list of objectives for his men.

Officials at the finance ministry have been asked to initiate a comprehensive review of the entire scheme of subsidies sponsored by the Union government. During the course of successive meetings held on 15 and 16 October, the finance ministry was galvanised towards adopting a range of measures targeted at expenditure control within the government. Senior officials were entrusted with the task of launching monitoring and implementation programmes for the scheme of the 10 per cent cut in the budgeted non-Plan expenditure of all Union ministries. Sinha had proposed this cut earlier in August, as part of his strategy to meet the costs of the military expenditures incurred during the repulsion of Pakistan's aggression in Kargil. This move had been adopted as a way to enable the earlier BJP-government to pay for the war without any


RAMESH PATHANIA

Narayanan is all for far-reaching reform

explicit, fresh tax. This intention could change in the run-up to the next Union budget, but for the time being, Sinha is holding firm.

Disciplining expenditure

In order to ensure the expenditure cuts, Sinha has constituted a central monitoring group of financial advisors of all Union ministries. The committee is being chaired by M. Venkateshwaran, additional secretary (expenditure), in the finance ministry. The special group has the explicit brief to discourage the tendency of Union ministries to keep asking for supplementary demand-for-grants as a means to meet additional expenditures outside their sanctioned budgets.

Another senior official, who is member of the monitoring group, says "Expenditure control has the potential of becoming as rigorous and transparent as the Y2K Action Programme". As part of this strategy, the monitoring group has also been entrusted with the responsibility of substantially implementing 'zero-based budgeting' within the existing ways-and-means schemes of the Union ministries.

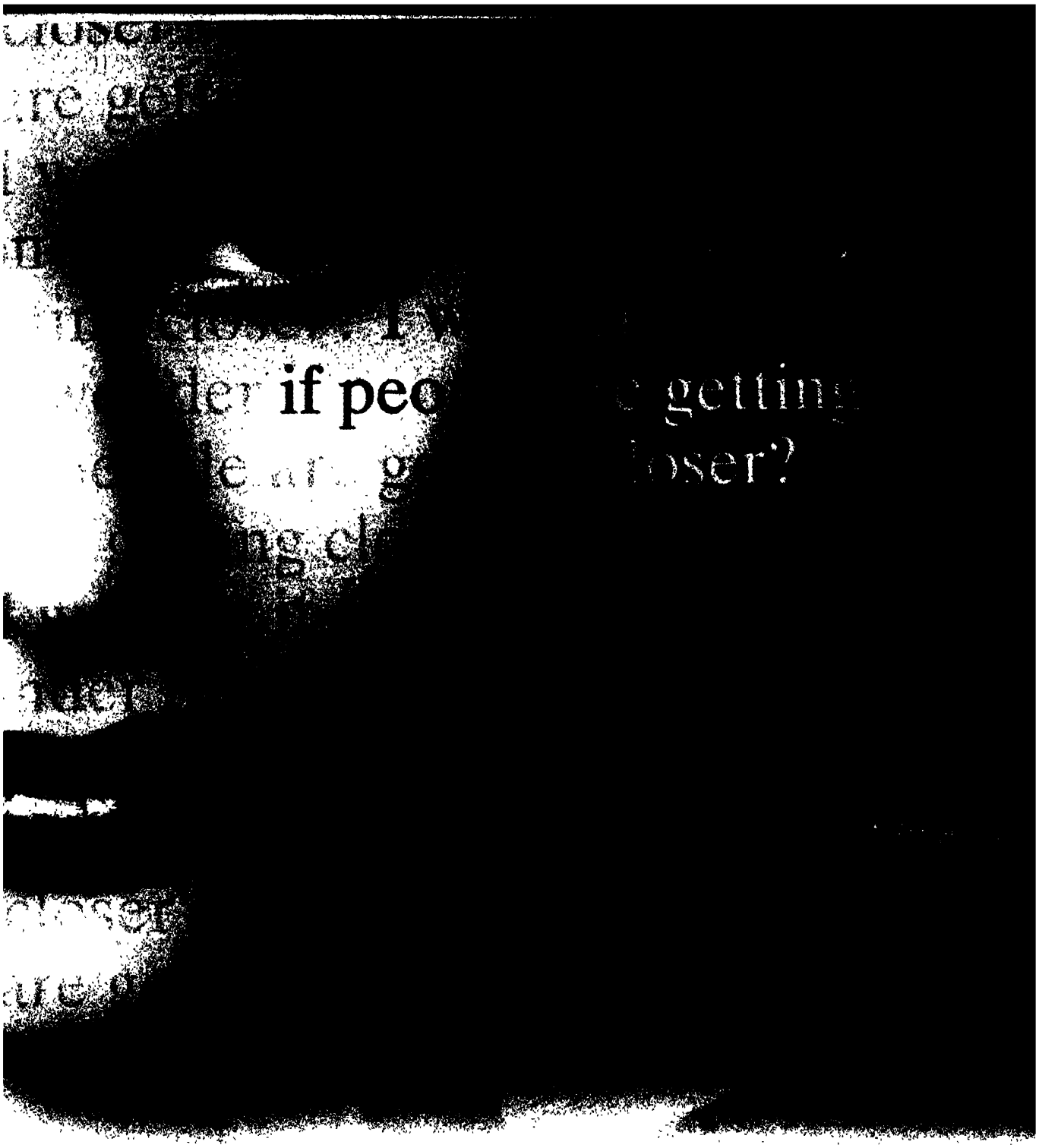
All ministries use current budgetary methods to carry over unspent grants to the successive year's expenditure programme. This ensures that, in actual practice, ministries grab far more funds than their real annual expenditures. Now, zero-based budgeting will be used to discourage demands for fresh grants.

The finance minister's scheme of belt-tightening could easily come apart. Sinha has himself drawn attention to the "internal debt trap that confronts the government in the face". This basically refers to the gigantic amount of internal borrowings that successive governments have adopted, during the 1990s. According to budgeted estimates by the finance ministry, the Union government's public debt programme would touch Rs9,34,428.94 crore by the end of 1999-2000. This figure sums up the total internal liabilities of the Government of India; comprising the debt incurred as part of the government's programme of market-based loans, treasury bills and securities, alongside other financial commitments such as interest on small savings, provident funds, earmarked debits such as those to the Oil Pool Account, redemptions of schemes of the Unit Trust of India and others. Of this, market loans, T-Bills and government securities amount to Rs7,09,301 crore. This constitutes the worrying internal debt for any Indian government. Its interest payments have been skyrocketing in recent times. The 1992-93 Union budget allowed for Rs18,574 crore as interest payments on internal liabilities. By the 1998-99 budget, this allowance had zoomed to Rs77,248 crore. This financial year, the interest dues on internal debt will exceed Rs80,000 crore! This amount will be the single largest item of non-Plan expenditure incurred by the Union government, almost double the allocation on national defence.

Notwithstanding this, and concurrent to his scheme for cutting non-Plan expenditure for the ministries, Sinha has ruled out any immediate cap on public borrowings by the government. Such a cap has sanction of the Constitution, and demand for this was indeed raised in rarefied policy making circles before the elections. The finance minister has called for a farsighted, and more rigorous view of the problem. "Much of our Plan expenditure, as well as investment in the social sector are premised upon public borrowings. Any hasty cap would prove to be disastrous for the economy, as well as artificial in nature," he says. Belt tightening would have to be a systemic, and rigorous process without short-sighted gestures.

The finance minister has begun to advocate 7-8 per cent annual growth as a broad spectrum solution to the key problem. This is the only way the Indian economy can wriggle out of the internal debt trap, with financial accruals keeping pace – even overtaking dues. The need for a higher growth rate has been talked of in some select corridors of power, but previous finance ministers have generally avoided getting committed on the count. Sinha is treading unbroken ground and is expected to push advocacy of the new targets in coming days, especially in the forthcoming winter and budget sessions of Parliament. Till now Indian economic reform was identified more with Manmohan Singh and P. Chidambaram, who preceded Sinha in the finance ministry in this decade. Since both of them were defeated during the electoral contests of the recent polls, Sinha is well on his way of becoming the icon of economic reform in the new century.

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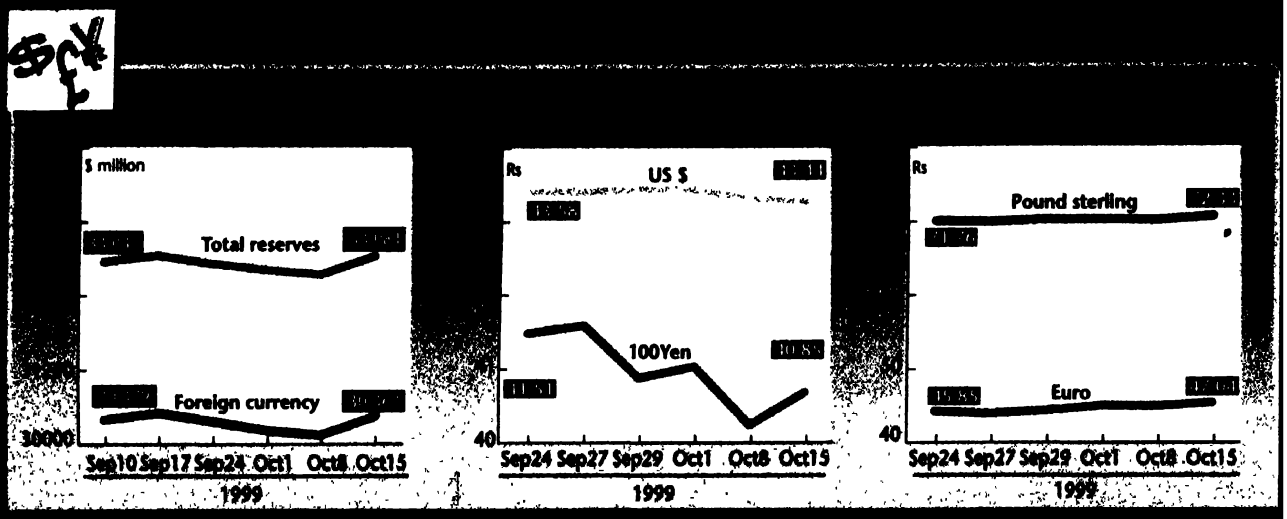
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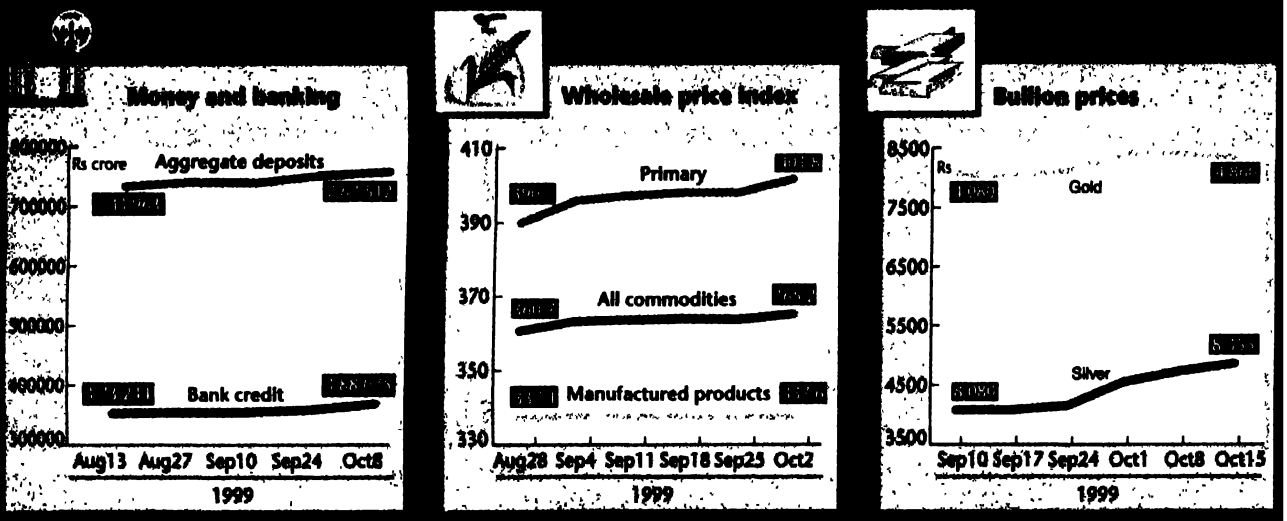
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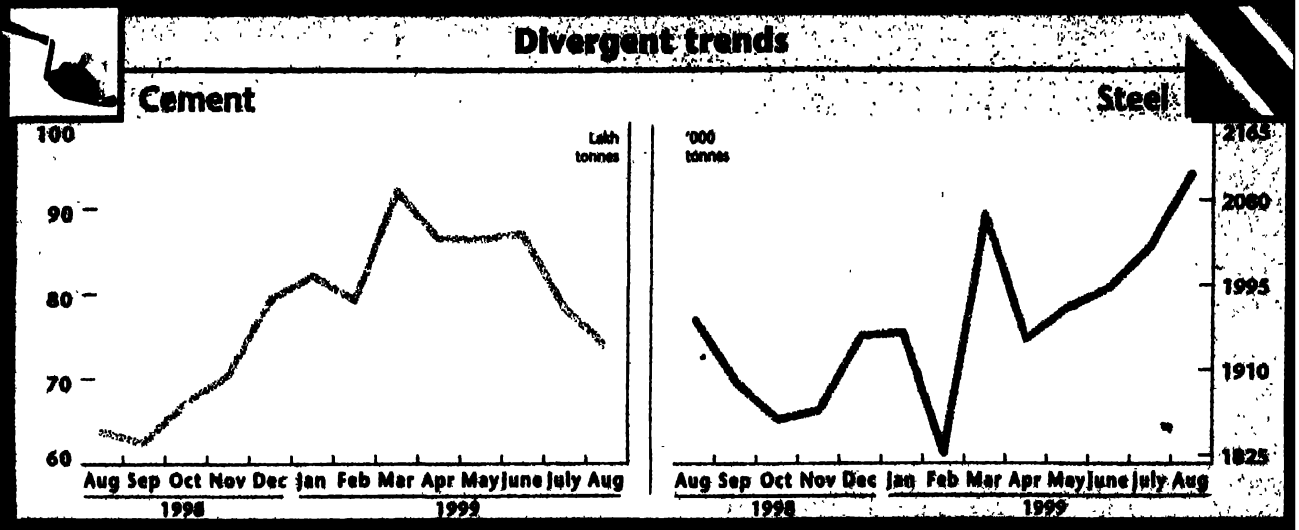
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BPL's bold new face



Tomorrow's customers are being targeted by the Rs4,500-crore BPL Group which straddles across varied products and services as it uses the jagged edge of state-of-the-art technology, large volumes and brand leverage to blitz its way to the zenith

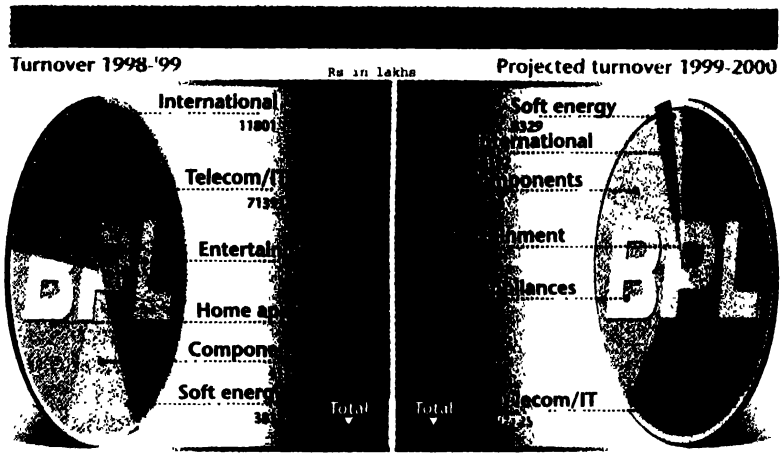
It is just after 8.00 a.m. A typical Bangalore drizzle persists as a black BMW seven series sashays into the BPL Telecom Centre office on Richmond Road. Chairman and managing director Rajeev Chandrasekhar, savvy and an extrovert, his body language that of an aggressor, bustles out and heads for his office where he gets into a huddle with BPL Telecom Business Group chief financial officer K. Ravishankar. The news is good, so Chandrasekhar permits himself a smile. After almost four years of incessant battling and brand building, BPL Mobile's Mumbai circle with 220,000 subscribers has started making profits.

Further ahead, off Bangalore's sunset strip – Brigade Road – in the quietitude of Church Street's Dynamic House, consumer electronics titan BPL Ltd's vice-chairman and managing director, the introverted, yet highly efficient brother-in-law Ajit Nambiar is readying for his deliberations with the delegates of joint venture partner Sanyo. Sanyo's big boys are in Bangalore to provide key strategic inputs on the latest models in the colour television business. With product life cycles getting shorter and shorter, Sanyo has brought blueprints of contemporary state-of-the-art flat line technology which BPL will assimilate and unveil in the first quarter of 2000.

Together, the two 'techies' in their mid-thirties are energising, galvanising and adrenalising the young, funky and zestful Rs3,537-crore BPL Group at a frenetic pace, displaying a great degree of *savior-faire* in reaching the next level of competency. Yes, they are the brave and bold new face of a first generation south Indian business family which is rewriting the rules of the game through its *leitmotif* of

technology and brand leverage, targeting the neoteric generation – tomorrow's customers – taking a quantum leap forward, to make their tryst with a projected group turnover of Rs4,454 crore in March 2000.

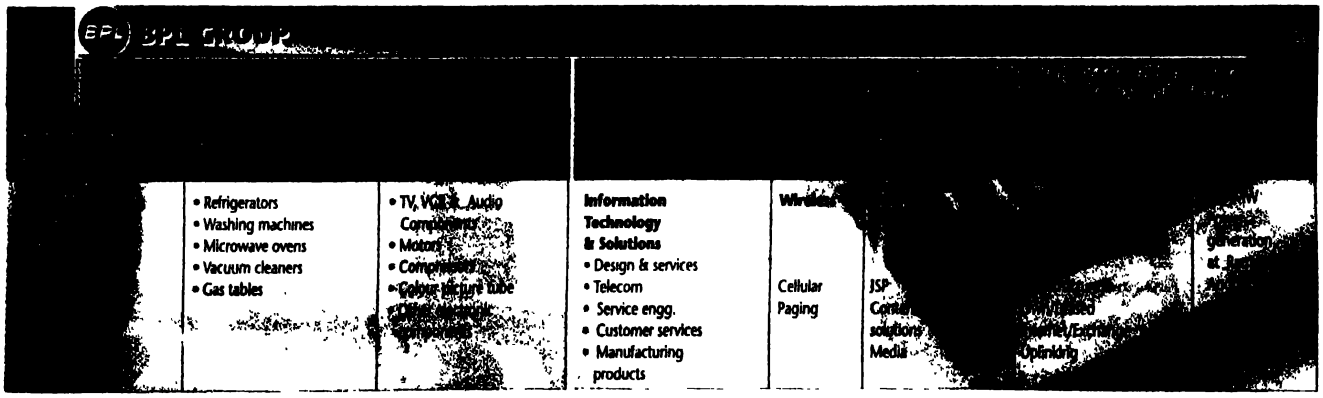
Cutting a swathe across the land with a range of products, Rajeev Chandrasekhar is candid as he observes, "Circa 1990, BPL was viewed as a predominantly manufacturing oriented company with serious competitive advantages focused on a group of products. We were viewed as a vertically integrated company zeroing in on our end product strategy. But over the last few years, the transformation has taken place from those tentpoles to a company which revolves its business battle plan around the BPL brand, its domestic and international distribution channels, its inherent strengths in components, straddling half a dozen broad business categories that are all finely tuned in their responses while talking to the modern day consumer — home, office and transient."

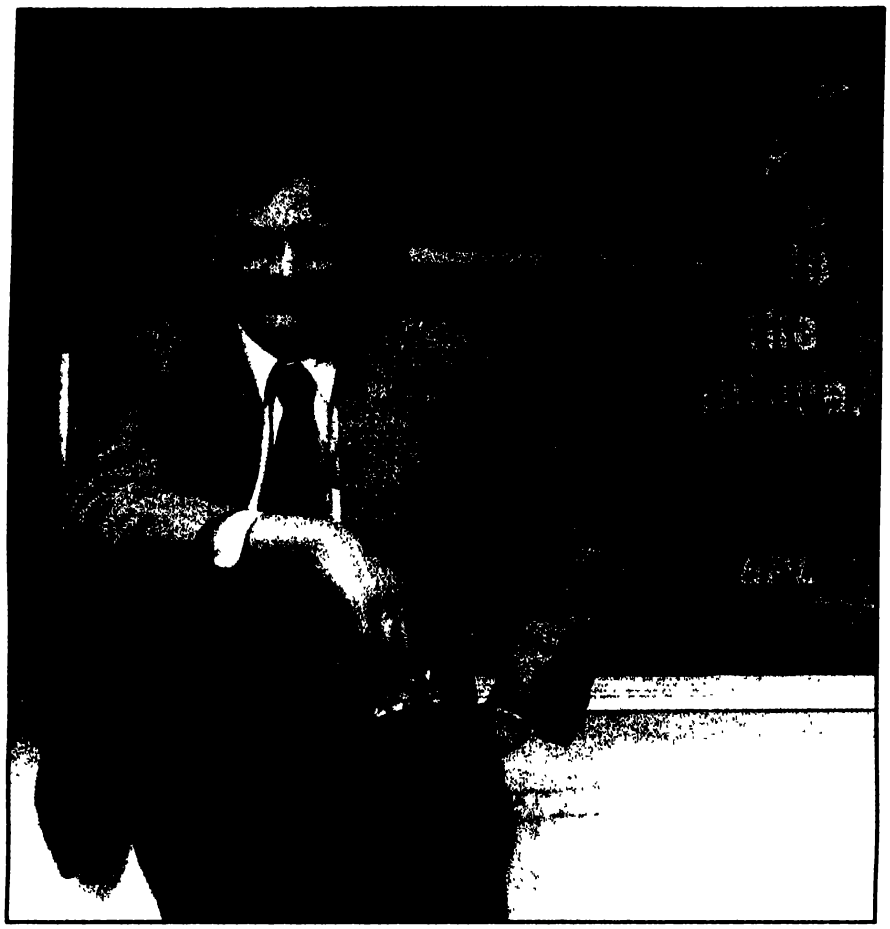


In the process, a metamorphosis in systems, structures, orientation and aggressiveness has taken place across the organisation, with a cascading effect, creating a new template. Ajit Nambiar, speaking in measured tones, says, "We are consumer-focused and this enables us to talk to our audience directly. Our brand operating with tremendous recall is already a part of the consumer's mental space. We have an established presence in the top end, selling expensive products, but now the strategy is to go down the line and access homes through faster moving products like soft energy." Both alkaline and dry cells were thus part of a deliberate ploy. On the anvil is a welter of similar products through the third party manufacturing route – torches, bulbs, lighting, handle lanterns and AM/FM radios – to continue with the practice of umbrella branding, targeting the lower end of the market.

Chandrasekhar concurs that the duo is driving BPL today. "Even as we head disparate business groups, there is zero separation in terms of strategy formulations for the group. For sure, we have separate operational responsibilities, but as far as group strategy is concerned, it is completely top down." But the growth agenda is massive and the half-yearly results mirror that upbeat mood. Gross sales are up to Rs1,010 crore against Rs966 crore year on year while net profit is also up to Rs49.27 crore against a corresponding figure of Rs41.12 crore. Feeding that agenda is a sharp influx of top of the line professionals from ITC, Telco, Godrej, HLL, Wipro, *et al* and as Chandrasekhar states, "The two of us working 18 hours a day and running everything is a no-brainer and good for a single product company, but in a multi-product corporation of this size, we are constantly absorbing successful talent. People who share the same vision and desire of not just excellence but being part of a winning outfit."

Group founder and BPL Ltd chairman, the venerable T.P.G. Nambiar, says, "BPL has redefined branding in the industry, by leveraging the various intangibles that it has consciously developed. BPL has a return on capital which is one of the highest in the consumer electronics industry." Not surprisingly, one out of every four colour TVs sold in the country in 1998-99 was a BPL. A fact that is corroborated by Nikesh Shah, head of research at Triumph International Finance Ltd: "BPL is a fast moving consumer electronics company which has successfully, over the last five years, faced up to the threat percept from MNC brands. With several new models slated for launch, I maintain that it is strongly placed to retain its leadership position. It remains a long term prospect on the bourses, since it





Shekhar reckons that BPL sets the pricing standards in order to give value for money CTVs

has effectively leveraged its brand potential."

In fact, last year BPL along with a few other corporates was caught in a maelstrom over alleged price rigging on the Bombay Stock Exchange. Chandrasekhar addresses the issue. "We are very clear that we have stayed away from artificial value creation, because we firmly maintain that speculation in stock is not good. Yet, at the same time, I believe there is considerable value in this company's brand. The brand's value is real and its true potential has not been seen. The BPL stock is illiquid due to the family's holdings dominating." Chandrasekhar says that the company has no nexus with anyone else and that it is most transparent in its dealings. The price in the future, he argues, will tangibilise the brand's true value.

Perched at Rs432 on the BSE (27 October), BPL is deriving the benefits of creating capacities in advance, so that it can leapfrog and manufacture a record 1.5 million sets by the end of this financial year. Six-month retail sales figures till 30 September suggest that BPL has sold 625,000 CTVs and 370,000 B&W sets. The multi-faceted, multi-layered and coherent brand positioning strategy is obviously paying dividends (*see box* 'Brand Busters'). In August alone, BPL had a 20.9 per cent marketshare in CTVs selling 76,500 sets. Propelled forward as it was by the Cricket World Cup bonanza, registering a 93 per cent increase in offtake over the corresponding period. Nobby Gupta, marketing and sales director with arch rivals Videocon, believes that the Cricket World Cup was the perfect launchpad for the year and the larger brands have absolutely no inventories due to this. "I am expecting a 25 per cent growth in CTVs. While BPL is the leader in terms of single brand, our multi-branding is working with a 42 per cent marketshare — between Videocon, Akai, Sansui and Toshiba. So, even as the core brand remains Videocon, the others are being used as flanking and rearguard devices."

A television centric company

Significantly, CTVs remain the flagship product contributing close to a third of the group's turnover. V. Shekhar, senior vice-president and national product group head-consumer electronics, reckons that, "BPL has over the last two years been constantly tuned to the market and consumer's needs. We have the widest range of CTVs, with a product at every price point. Importantly, our time to market strategy is a winner, in that we are able to launch new products very quickly. We continue to look at a 50 per cent year on year growth with 40 per cent of the demand coming from the CTV to CTV replacement market. My division's projections for 1999-2000 are that CTVs should do Rs1,350 crore while B&Ws will add another Rs166 crore. Audio should bring in another Rs240 crore and VCRs Rs22 crore." In the process, entertainment electronics alone has ramped up its adspend from Rs54 crore last year to Rs67 crore this year

In the process, BPL seems to have become a television centric company with audio products lagging behind. Now, Nambiar, an audiophile himself is launching a high end home theatre system, called Pro FX which will include the whole shebang of digital entertainment and the price range varies from Rs80,000 to Rs3,00,000. G. Sundar, chief executive of the CTV major and rival MICR Electronics (Onida is number three in the CTV sweepstakes) however, has a different opinion. "For the brands that the BPL stable showcases, they should command a premium. BPL has very successfully been able to create brand value, but I think the impact of price slashing will hit them in the long run. Even as their volumes are rising, this is not being reflected in a spiral in their marketshare." Ajit Nambiar counters by saying that he is not in the business of selling commodities, his pricing while being extremely competitive and value oriented, will not be deal oriented.

Shekhar adds that BPL's strategy is

not dictated by the competition, for being the leaders they are the benchmark with the largest installed capacity. "We set the pricing standards, our philosophy being that we should constantly be able to give value for money CTVs to consumers with the best features. Tariff reductions have to be passed on, increasing our volumes."

The next target in this continuing quest for leadership in CTVs is ensuring a complete geographical spread. Ajit Nambiar is already looking at Pune in the west and Calcutta in the east to supplement Bangalore and Noida, but whether he opts for the brownfield or greenfield expansion route is undecided. Shekhar reckons that the eastern Indian market, including the north east, is BPL's next foray. Amazingly, the relationship with joint venture partner, the $17-billion Sanyo Electric, has stood the test of time, going back to 1982. Nambiar says, "It requires two-way commitment and great transparency to make the JV a continuing success. Remember that we have pushed and created the Sanyo brandname within India. We manufacture alkaline batteries for them and they are eminently satisfied with us. Business is growing out of this relationship, in the main because the edifice has a very durable bonding agent."

It has often been argued that having a captive component manufacturing base was needless at a time when companies were outsourcing effectively. Today BPL is manufacturing 90 per cent of the critical components for its CTVs. Mukund V. Mavalankar, chief operating officer in charge of the automation division, which is catering to the needs of the group as also independent clients like Telco, Ford and Toyota (manufacturing items like side mirrors) is gung ho. "I can say with great pride that we are the only consumer durables company in India to have specialised operations in mould making. Through my tool room and moulding shop, my endeavour is to give ontime tools for all our products." The Bommasandra facility set up with a capex of Rs80 crore some four-and-a-half years ago is a shining example in an enabling process to

Team IT

BPL Telecom is now upping the ante. A 15-acre campus code named Innovision incorporating 150,000 square feet in the first phase at a capital outlay of Rs60 crore is being readied on the outskirts of Bangalore. The idea is take end-to-end solutions to the market instead of pieces, so that the consumer has a comprehensive package of products to choose from. Thus, the birth of bplnet.com, building upon its expertise in telecom services and products. Over and above this, an ISP service is scheduled to be launched shortly in 11 cities through three gateways in Delhi, Bangalore and Mumbai. This broadband infrastructure will ensure high and speedy quality of data transfer.



G. Subramaniam, K. M. George, Guhan Subramaniam and Ambar Sur are spearheading the infotech initiative with some savvy strategic planning and narrow focus

Guhan Subramaniam, deputy chief operating officer – IT business, believes that this new revenue stream will bring in $75-100 million over a 18-24 month period. A strategic long range plan thus sub-divides the business into:

- Software solutions which will incorporate telecom business solutions, Internet solutions through interfacing/integration of existing software applications to the Web and e-commerce solutions, enterprise solutions including development of customised integrated information systems and implementation of decision support systems, call centre solutions and network integration. G. Subramaniam, associate vice-president–corporate planning, says that to leverage the global opportunities in software development, a subsidiary, BPL systems in Atlanta, has been set up in the US. "We also propose to expand our operations to Europe and Japan shortly with a hub to be set up either in Amsterdam or London.
- Web content and design services for the Internet market which have been divided into two groups — one to focus on portals (lifestyle and business related) and the other zeroing in on Web design for corporates building smarter sites.
- Design and development services around real time operating systems and embedded solutions and product/project support services. As K.M. George, head-strategic business development, says, "We have these competencies internally and we believe that we can now service an external market. The services will be offered through a mix of both offshore and onsite support."

Rajeev Chandrasekhar, who is now narrow-focusing on this new line of business, says, "You can argue that we were not as early to see the opportunities as say Infosys and I am willing to admit that. But BPL's vision has always been to see an opportunity, pursue the quarry relentless and don't worry about the incumbent." With the largest cellular backbone in the country encompassing 5,000 km, BPL can leverage it to provide the killer application which will ensure the convergence between telecom and datacom, riding piggy-back on BPL's domain knowledge in hardware and to some extent in software. But will the late starter be able to fructify its dream? The question persists!

Brand busters

Brand is increasingly becoming the differentiator since product parity is now the norm. In terms of unaided brand recall, BPL, with 232 products and models, has remained steadfast, known as it is for its innovativeness and flair. It is also seen as trendy, upmarket, solid and sophisticated. From panel meters to ISP, the brand is straddling a wide array of products making the connection with a varied audience. An Indian international is the common perception. In many ways, much akin to Maruti; modern and with the unerring ability to take on MNCs. After Trisys conducted the brand valuation (it has in the past worked for Reliance Industries and ITC), an exploratory dialogue is presently on with KPMG, AF Ferguson and Andersen Consulting to value the brand.

Anand Narasimha, head-corporate brand management for BPL, feels, "The market is getting more and more competitive and one obviously has to maintain a high share of voice, so the adspend for BPL Ltd has shot up to over Rs90 crore." K. Sanjay Prabhu, head-brand management for BPL Telecom, mirrors that statement, saying that the adspend will shoot up on the telecom side as well as for new categories like ISP. Interestingly, BPL, Britannia and Nirma are using umbrella branding, but unlike the other two, BPL is straddling different lines of businesses.



Anand Narasimha and Prabhu believe in the best

Prabhu maintains that BPL Mobile has a heritage in telecom since 1968 and it is perceived to be a strong and able player. Moreover, it leveraged familiarity of the consumer electronics business, giving it a technological understanding and a supporting service sheen to penetrate into a brand new category. This enabled it to hit the ground running. Narasimha likens the two business groups to yin and yang. He says that the friendliness and warmth of durables rubs off on telecom and consumers are increasingly saying 'bring out computers and we will buy them'. With convergence taking place quickly, BPL is thus poised to leapfrog, says Prabhu. Both the brand busters are constantly tracking the consumer's pulse. Narasimha signs off by saying that being a large volume player with vibrant products at every price point, "we are offering champagne on a beer budget."

enlarge installed capacity when the production was only half the present numbers. With CAD/CAM back-up at the facility, BPL's competitive design advantages are a huge booster.

So, the nostrum of preparing for all eventualities continues to stand them in good stead, outmanoeuvring opponents with lucidity and clear-sightedness. Videocon's Nobby Gupta has grudging respect and admiration, "Their strategies have been very sound. I think in many ways both BPL and Videocon have centrestage positions in the consumer electronics business, managing to withstand the onslaught of the foreign majors. While BPL has effectively used umbrella branding, we have used the two-pronged strategy of sub-branding and multi-branding." Gupta maintains that business these days is good. "Factories are busy, volumes are up, but there is pressure on the bottomline because it is a price sensitive business."

BPL got independent Calcutta-based agency Trisys to value the brand using the global Interbrand method. Using the maximum multiple of 15, the BPL brand was valued at Rs1,182.3 crore. Which is in keeping with Ajit Nambiar's credo that we are not here to sell, but make people buy. The brand's value in 1998-99 is more than the physical assets of Rs469 crore and the capital employed of Rs513 crore. Sorab Mistry, chairman and CEO of McCann Erickson, says, "Strategically they have used common imagery, of providing world-class technology to suit indian needs. This pride in believing in the best has therefore effectively managed to feed the image of the mother brand rubbing off on all their other product lines. Look at the advent of frost-free refrigerators which turned the refrigerator market on its head. Singularly BPL has built up brands which gives them the edge as a world-class Indian company."

Meenakshi Madhwani, managing director of Carat Media Services India Ltd, one of the largest independent media buying houses, says, "In terms of perception, BPL appears to have no non-performer in its stable. The weak link in the chain can always drag you down. End users always argue that quality is omnipotent. Their strategy of widening the funnel by targeting the youth with technologically abbreviated products is working very well."

Take the intent to venture into soft energy, accessing Sanyo's technological capability to achieve higher penetration into many more households with a product at the lowest end of the spectrum. A much larger class of consumers is now experiencing BPL products. Simultaneously brand rub-off is taking place as BPL sells a promise through a world-class battery. Not only does it fit with BPL's brand strategy, but will have a long-term impact. Ajay Baijal, vice-president - soft energy (SBU), says that most of BPL's diversifications have come primarily on account of Sanyo's vast product portfolio. "It is a very different business with a strong paradigm of FMCG marketing.

Already the new revenue stream is

up and running. On a capital outlay of Rs220 crore – Rs140 crore for the alkaline plant and Rs80 crore for the dry cell plant – a Rs200-crore composite turnover is being targeted by Y2K. The highly technology intensive business is worth $32-billion worldwide and Baijal's medium term prognosis is to be number one in alkaline (it already has a 27 per cent marketshare) and have a significant presence in dry cells as well. Baijal wants to now move up the value chain accessing lithium base and renewable (solar) energy systems next. Last year, soft energy in toto did Rs130-crore turnover with 90 per cent of alkaline being exported to Japan in yen. On the anvil is export to the UK and Germany with Hong Kong and Taiwan next on the wish list. With operating margins very good, Baijal expects it to be a highly profitable business by 2001 using FMCG brand and management skills hitherto not seen by the group.

Chandrasekhar, who worked at Intel for six years and was CPU architect in the Pentium team, believes that the group's underlying credo of building winning competencies, abilities and infrastructures is a valuable asset. This, in conjunction with an enormous amount of money and effort put into brand building to create an ethos, value, culture and commitment, is helping it morph into an Indian brand which is not only trustworthy, but technologically contemporary in an era of rapid obsolescence. A brand which jingoistic Indians aspire to acquire. Ajit Nambiar adds, "By the end of March 2000, we will be ready to roll out set-top boxes, incorporating digital technology targeting the younger set of Indians. The sophistication levels of Indian consumers are going up all the time, our job is to equalise the technology."

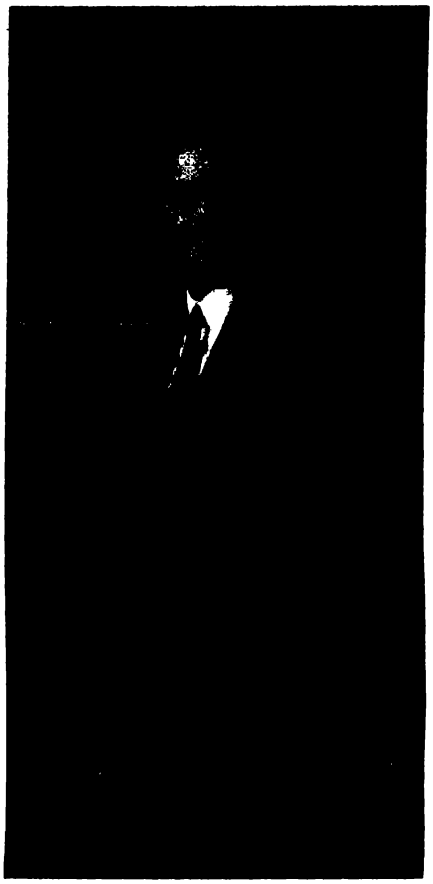


SBU head Baijal is bringing FMCG brand management skills to soft energy

Replicating the Western model

Chandrasekhar says that Internet appliances like the Net set and home PCs are next on his list of priority. What is all consuming is this rage for perfection and the catchline, "We don't see ourselves as family. We are entrepreneurs-owners-managers replicating the Western model." Chandrasekhar gives the example of Amazon's Jeff Bezos or Jerry Yang of Yahoo or Ted Turner of CNN — men who have taken franchises and created substantial value and wealth for shareholders. "We are not a bunch of lazy guys who happen to own 40 per cent of the company's shareholding." Actually, the promoters hold 55.75 per cent of BPL Ltd's holding with FIIs and NRIs controlling 5.25 per cent and the balance 39 per cent being distributed between domestic FIs, banks, MFs and the public.

Maybe that is why four group companies — BPL Sanyo Utilities & Appliances, BPL Refrigeration Ltd, BPL Sanyo Finance Ltd and Alpha securites — were recently merged. Chandrasekhar explains, "Synergy demanded that these companies came under one umbrella so that we could leverage its strengths on the stockmarket and utilise the dealer network more efficiently." M.K. Tribhuvan, director and chief operating officer of the merged entity, says, "The entire system has been simplified due to the merger, particularly in terms of tracking end-to-end profits." Ajit Nambiar feels that in home appliances, Sanyo has inherent strengths globally, so BPL has given them an equity stake. "This gives us flexibility to bring in another partner with serious value additions for our components business (in terms of an equity stake). On structuring, we have been very confident all along on what we want to do."



Ravishankar expects BPL's southern cellular circle to achieve financial closure

The merged entity, for the time being called BPL Sanyo Utilities & Appliances, is being seen as the next locomotive of growth. The promoters continue to hold 51 per cent, while Sanyo has 14 per cent, institutions 15 per cent, the balance being with the public. Though the segment contributes Rs450 crore to the group turnover presently and is seeing losses to the tune of Rs16 crore, Tribhuvan is optimistic. The reason for the rejig is the refocusing on refrigerators (50 per cent) and washing machines (40 per cent) as new products and campaigns will ensure that the improved products will be able to establish an unusurpable platform in the consumer's mind. Driving this will be a key marketing initiative.

Global aspirations

One of the oldest BPL hands, nay a veteran, L.H. Bhatia, set up the marketing department in 1974. In 1997, he was summoned by the chairman and told, "I am in semi-retirement, but there is one ambition that burns in my belly. I want BPL to become a global company and I want you to take up this challenge." Bhatia was in shock, for it meant reproving himself as a frontline salesman. But he accepted the gauntlet thrown at him. The new maxim was: let us test our mettle in terms of quality and pricing. Over the last two years, Bhatia has made enormous strides, taking the export turnover to Rs135 crore for 1998-99.

Picking up the gauntlet meant that Bhatia had to hawk colour monitors to the US and Latin America using economies of scale hoping to crack the half-a-million mark shortly, acquire a London-based CTV unit for $3 million and exporting two million alkaline batteries per month to the UK. It also meant sealing a deal with Kodak and Philips to make alkaline batteries as one of the OEM manufacturers, selling a range of consumer electronics and durables to the Middle East and SAARC nations, exporting $8-million worth of picture tubes every year to Europe, South Africa and Southeast Asia and aggressively promoting engineering services for manufacturing systems in 3D systems and telecom skill based software for the UK and the US.

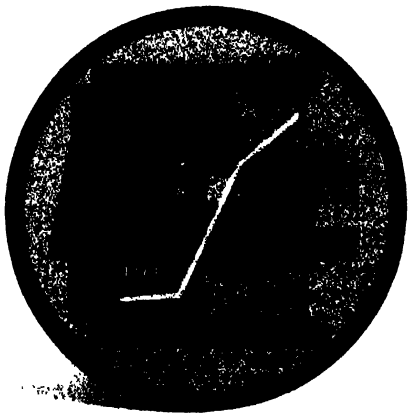


Bhatia hopes to add Rs500 crore to international operations through this action plan with offices in San Jose, California and London acting as the conduit over the next two years. As Bhatia says, "The chairman has told me that he will truly retire when BPL becomes a global brand and I would like to be the instrument which fulfils his dream."

• On the anvil are two new refrigerator models – a 230-litre and a 320-litre – which should see sales improve from 170,000 frost-free and 50,000 conventional in 1999-2000 to a combined 300,000 in 2000-01.

• In washing machines, BPL is going to present the ultimate cleaning action in a tie-up with P&G and rope in Sanyo's new ultrasonic technology in a front loading model with reverse pulsating waterflow with double wave action. The target is 220,000 in 1999-2000 up from 200,000 last year.

On the drawing board in advertising hot shops are three different campaigns by three different agencies and this will provide the vital thrust in this segment which is expected to provide Rs600 topline in 1999-2000 and break even by 2001. Consequently, adspend here too is seeing a doubling up, from Rs15 crore last year to Rs30-crore this year. BPL Ltd has, in fact, centralised its marketing function creating a separate central marketing organisation where all the division heads sit and take decisions to boost top and bottomline and as the legend inscribed on the wall states 'run like the gazelle when the sun comes up, or the hungry lion will devour you'.



Videocon's Gupta says that he is disappointed that BPL is not doing well in refrigeration. "We would like to see them do well. Sadly the washing machines market is stagnant, for it is ranked third on the list of priorities after CTVs and refrigerators. We are undisputed leaders, but both Whirlpool and LG are putting BPL under pressure."

And even as BPL Ltd consolidates on all lines of businesses, the Telecom Business Group is finally coming into its own. Highly capital intensive, the project cost including paging has been a whopping $850 million, but wait, there is light at the end of the tunnel finally. Though accumulated losses on that investment are still $110 million, Chandrasekhar categorically asserts, "We have not brokeneven yet, but our projections are extremely conservative. I am looking at break-even by year five i.e. 2001-02." K. Ravishankar adds happily that the Mumbai circle is already making profits for the last couple of months, "Topline gross revenues from wireless should be about Rs850 crore (this includes the cellular circle which has 120,000 subscribers, Mumbai circle and paging). Infotech, including Internet and solutions (*see box* on Team IT), will bring in another Rs350 crore. "The revenue breakdown for March 2000: Mumbai circle Rs430 crore (financial closure has been achieved), cellular (three) licences Rs190 crore, paging Rs20 crore and BPL Telecom Rs220 crore. Interestingly, March 2000 should see the Maharashtra, Tamil Nadu and Kerala circles reaching break even as well.

BPL Telecom Business Group's greatest strength has been its deep pockets and the fact that it managed to raise a third of a billion dollars in equity alone for the cellular business. Further it raised $350 million in debt from IDBI, ICICI and IDFC. Ravishankar says that BPL Telecom's focus now is on performance and generating revenues. "We don't need equity injection anymore." BPL continues to hold 62 per cent in BPL Cellular Holdings with the other shareholders being the ADB-led fund AIDEC (4 per cent), CDC (6 per cent), Asian Infrastructure Fund (11 per cent),

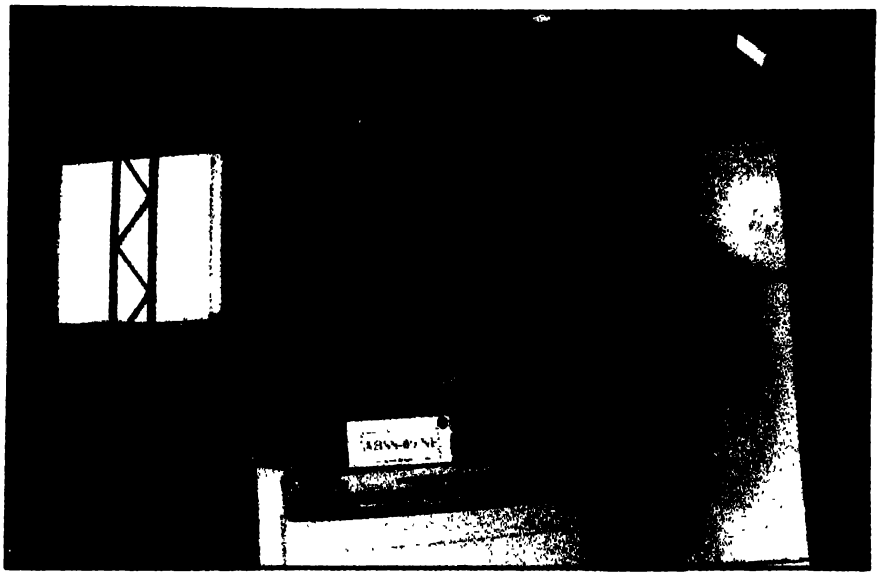
American Insurance Group & Govt of Singapore (17 per cent).

Domestic listing norms archaic

Chandrasekhar remembers the ill-fated ADR listing exercise. "The next time we will not trust an investment banker so much and allow him to lead us by the nose." Chandrasekhar argues that at the end of the day the overseas listing route is opted for to raise dollar capital, but if "both Sebi and the stock exchanges are stating that domestic listing is going to be as attractive as overseas listing in the future, then the motivation level reduces. The only reason why an ICICI or Infosys goes to NYSE or Nasdaq is that domestic listing norms are still so archaic that for fresh funds for businesses like infotech and telecom, old listing norms don't make any sense. A redrafting of IPO norms at home is thus a critical agenda for the government." Ravishankar endorses that by saying that at this juncture there is no need whatsoever for BPL Telecom to look at an ADR or Nasdaq listing.

Moreover, over the last two years or so, BPL Telecom has with a premeditated plan moved to rupee debt rather than a foreign currency component. As Chandrasekhar says, "Unless the spread between dollar denominated paper which we issue and domestic paper is so huge that it justifies the risk, we will simply not do it. Unless the spread is significant enough that it is completely mitigated by a revenue stream which is dollar denominated like in the case of alkaline battery, we will avoid it completely." Maybe that is why for the telecom venture, BPL has now used an ICICI leader syndicated consortium to provide close to $350 million predominantly rupee debt. This, according to Ravishankar, is obviously helping them as the rupee's sharp devaluation has meant the project cost of other competitors who have raised dollar debt has multiplied.

Bullish on the telecom business, Chandrasekhar is not convinced that MTNL's cellular foray is going to affect him. "The bigger issue is the method and means with which MTNL and DoT enter these ventures. This is totally compromising the concept of capital raising in this sector. Competition is most welcome, but a clear understanding of what is required for this sector is paramount. A strong regulator, a consistent policy framework, a level playing field and an administrative machinery which ensures equality is vital. Personal interpretation of the rules just should not matter anymore."



Tribhuvan is beefing up the newly merged white goods and appliances division

In fact, his competitors Max Touch did not want to comment on either the cellular circle or on BPL's onward. While BPL Telecom is now concentrating on its performance levels, the underlying and unwavering commitment is to grow the business. Rajeev Chandrasekhar is now spending more time in Bangalore working on his next penchant — Innovision (*see box* Team IT). Acquiring mass might not be high on his wish list, but with a lot of people exiting the telecom business, a dialogue appears to be on with JT Mobiles in Bangalore, Skycell in Chennai, Fascel in Gujarat and even Essar's ventures in Delhi, Rajasthan and UP. Chandrasekhar says, "If an opportunity presents itself and the price is right and it adds value to our existing business, yes, I am certainly willing to look at it. But I am not obsessed with acquisitions and am certainly not a predator. It is the sellers who are contacting us." Concurrently, he wants the cost and licence fee structure for paging to be changed, in order to give it a position below cellular. For, as he says, paging and pay phones can revolutionise rural telephony, "the reality versus government disconnect needs to be corrected".

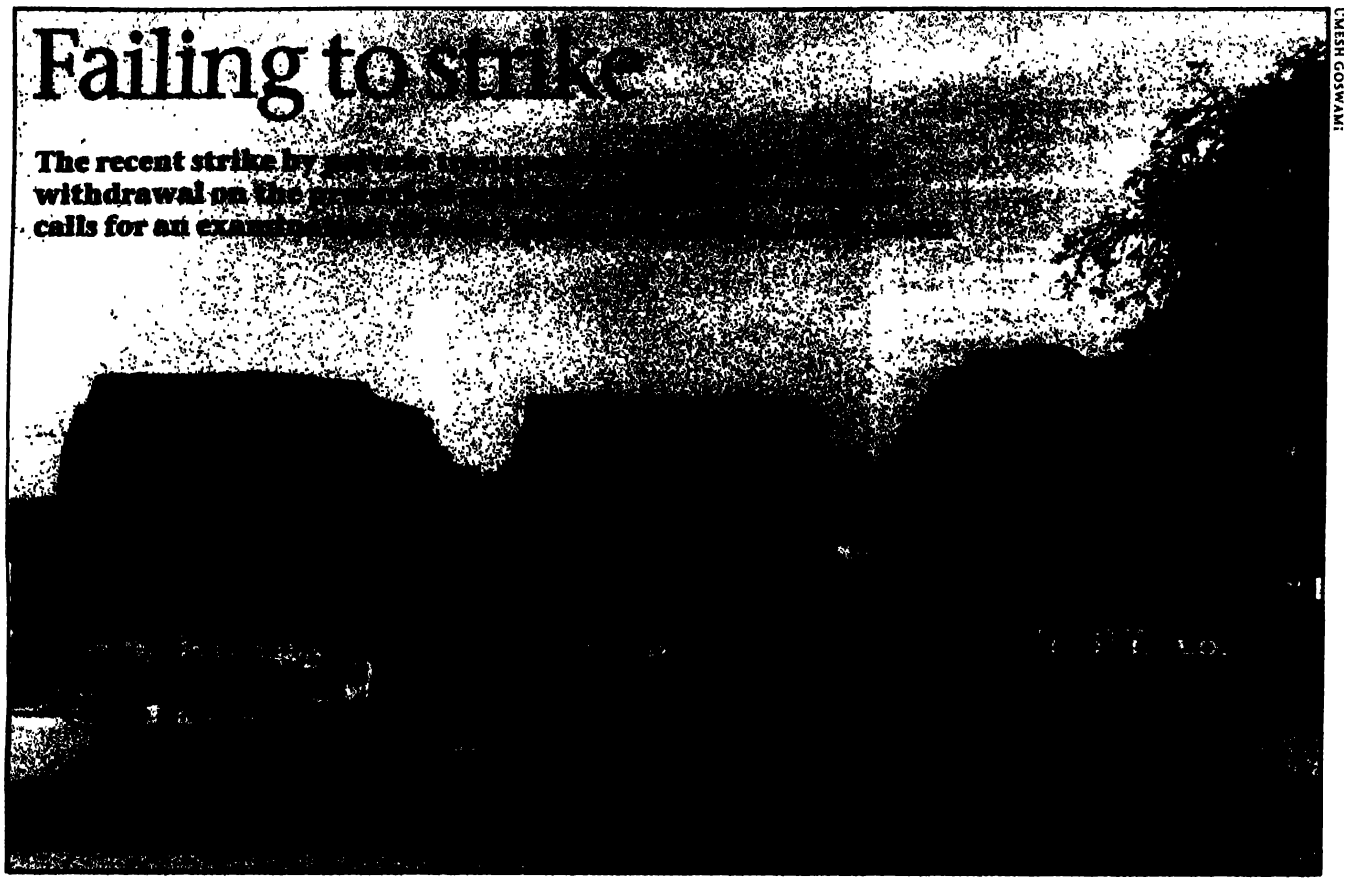
While all this appears hunky-dory, BPL's 520 MW power project with a pit head station in Ramagundam sticks out like a sore thumb, lacking strategic synergy with other business lines. Chandrasekhar says, "I know this is one element which we are not able to justify. It is a standalone operation with independent management. Three state governments have come and gone, but that is all in the past as it is now being taken to financial closure. A bluechip Japanese consortium including Japanese Exim Bank who have invested $280 million, Marubeni Corporation and the Electric Power Development Corporation together hold 37 per cent in the project equity."

BPL has frantically transformed itself in a systematic manner so that the brand transcends everything from Internet to home PC to CTV to cellular telephony, moving forward from a centralised entrepreneurial vision to an organisation with a formal strategic planning process, backed up by a rigorous operational management framework. Contemporary technology in a wide array of products and services working in tandem with a hard nosed result oriented ethos is taking the group to the zenith.

• SANDEEP BAMZAI

Failing to strike

The recent strike by [illegible] withdrawal on the [illegible] calls for an [illegible]



UMESH GOSWAMI

The seven-day-old truckers strike finally came to an end. The All-India Motor Transport Congress (AIMTC), the association that announced an indefinite strike on a one-point agenda of getting the diesel price hike rolled back, ultimately buckled against the unyielding determination of the government that there would be no change. The Ministry of Surface Transport (MoST) did, however, hand over some face-saving sops to get the transport operators to give up their demand for a withdrawal of the diesel price hike.

That the strike was never a national success speaks about the vulnerable condition of various truck operators, especially small players who own less than five commercial vehicles. The ongoing recession for the last couple of years and the resulting surplus of supply has already taken its toll. As such, the transporters never looked comfortable enough to sustain the burden of not operating, particularly when the fixed cost of maintaining a commercial vehicle is as high as Rs300 per day in the form of taxes. In addition, the money spent on feeding the regular staff – drivers, helpers, and accountants – brings further misery when there is no revenue. A determined government and non-cooperation by various state-level transport associations across the country resulted in the anticipated withdrawal of the strike.

Meanwhile, as the economic fallout is still being analysed, both the government and private institutions agree that there was almost negligible impact on the movement of bulk goods as well as the heavy trailers and tankers. Even loading at ports and the Railways was only partially affected. "Whatever little impact it had was on the prices of essential commodities and that too more on account of panic buying. As smaller commercial vehicles like tempos and light commercial vehicles (LCVs) did not join the strike, supplies were never badly affected. In any case, the prices of food items widely used by the poor sections of the society were not influenced by the strike at all as the essential services were maintained by the government across the country," claims Ashoke Joshi, secretary in MoST.

On the third day of the strike an impact study conducted by Indian Foundation of Transport Research and Training (IFTRT) over the last 24 hours across 40 transport centres in the country revealed that there was marginal variance in the actual impact across the country. With more than six lakh medium and light commercial vehicles opting out of the strike, prices and availability of the essential commodities never really shot up. However S.P. Aggarwal, president of the Delhi Exporters Association, claimed that the strike entailed a national loss Rs8,000 crore daily as shipment from upcountry to the ports did not take place for the entire week. Other trades like tea, steel, coal, and timber echoed similar sentiments

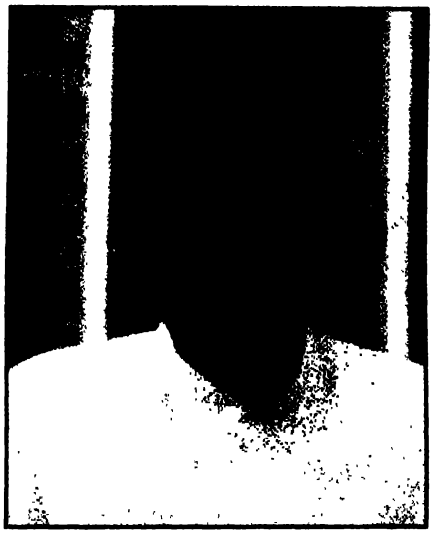
As a preventive measure the Railways geared themselves up, building up huge inventories of essential commodities at sidings that were

"I want to make things better"

Having moved into the hot seat while the transport strike loomed large, Nitish Kumar has had little time to talk about the way he intends to run the Ministry of Surface Transport. Here he tells **Manoj Narula** about the priorities before his ministry

Q *How did you find tackling the first major issue that the new government happened to face?*
A See, first everybody has to understand that, as far as my ministry is concerned, we were in no way responsible for the strike as the decision to hike the diesel prices was in no way connected to the ministry. Its fallout such as truck operator's strike was definitely effecting us and we had to find a solution. This does not mean that I am not a party to the decision for the diesel price hike as I am also a part of the Cabinet that decided the price increase. It is for everybody concerned to understand that the Ministry of Petroleum was forced to take this decision as the oil pool deficit was going beyond the limits that any government could absorb. Any rollback would mean subsidy in some other head and I, as a part of the government, am fully against making subsidy a habit. Though the strike has ended, we have lost the entire week in the beginning that is crucial for any new ministry. That I looked after this department even in the last ministry gives me some relief, but we are still a week late as my officers were also busy overseeing the various aspects of the strike.

Q *As all the concessions doled out to the truck operators happen to be related to your ministry alone, don't you think you have been given a raw deal in the very beginning?*
A Once again I must point out that I am also a part of the Cabinet and so responsible for all its decisions. I therefore endorse the government's determination not to buckle under any pressure and revise the diesel prices. As for the concessions, most of them are policy decisions that were anyway in my agenda of reforms. I had taken up these issues in the last ministry also, but within three months the country went into election mode and these things couldn't be carried to their logical conclusion. Now that these issues have come to the forefront at the very beginning, it is good for the ministry officials since they know what direction I want to take the ministry and what the priorities are.


VIKAN

Q *Could you specify what policy decisions you are going to implement?*
A At the moment I am in the process of working towards enacting some new policies with the help of the Planning Commission and the officials of all modes of transport — roadways, Railways, waterways, and airways. My top priority is do develop a freight policy for the roadways that has never been looked into in the past. Then I would like to come out with an integrated transport policy where every mode works supplementary to the others and not as a competitor, so that optimal utilisation of all the available resources results in overall prosperity. Since I have worked with the Railways, I know exactly how beneficial the freight policy would be to this ministry and therefore I have advised the Planning Commission to undertake a study on how the integrated policy should be shaped.

Q *As is the practice in the other countries, bulk items and long-distance freight is essentially carried by the railways, though in our country it is the roadways that are eating up the share of the Railways. What corrections you would like to carry out?*
A See, there has been immense spreading of the road network after Independence. The Railways have also built up a strong golden quadrilateral concept. However, we have built long roads parallel to the railway tracks, little understanding that it will have little benefit in terms of freight carriage so crucial for any economy. I believe that more emphasis is needed to develop roads perpendicular to both waterways and railways. This would, in turn, mean that small-distance movements of goods will be undertaken by the roadways and help consolidate the inherent advantage of its being accessible from door to door, while bulk and long-distance goods movement is undertaken by the Railways and waterways. This would also give a thrust to developing inland waterways. This will help us to develop a roll-on-roll-off concept as the loaded trolleys will be carried and offloaded without much transfer. In this way there will be complete harmony among the three and it would work to the country's economic advantage too.

Q *What are the other steps you intend to take for the benefit of the transport operators and the people in general?*
A All our announcements have implications on a wide scale. If we are trying to be sympathetic to the operators in terms of providing relief through tax reduction, proper maintenance of existing roadways, and sorting out police atrocities and extortion issues, it shows our intention. All of them are state subjects and the Central government has only a small role to play in these activities other than supervising them on an overall basis. Yet we understand that these are burning issues and need our immediate attention, so that the overall scenario becomes brighter. I am also keen on creating a freight regulatory authority that would look into the problems of all participating elements and come out with amicable solutions. My intentions are to make things better and I believe that the ways will automatically follow. I promise that you will see a sea change in the functioning of this ministry within the first six months or so. Take that as an indication of the good things to come next. •


RAMESH PATHANIA

Perishable items like vegetables had to be transported by whatever means were available

transported during the strike, although they themselves would have faced the problem of loading had the strike continued, since goods are brought to sidings by trucks only. However, Railway Board traffic member Shanti Narain assured everyone who cared to listen that essential services were maintained and that the Railways had no problems procuring essential commodities. "In fact, in the long run, the Railways stand to gain from the diesel price hike since it would make road transport of commodities like coal economically unfeasible and cause a shift to the Railways." Similarly, the shipping and ports section of MoST had also geared up to offtake as much as it could.

Most of the concessions announced will have little or no impact on the transporters. That they were accepted by the AIMTC as a face-saving formula to gracefully withdraw the strike is evident from the fact that none of the doles granted even featured in their charter of demands. One of the concessions promised is a reconsideration of the hike of national permit and licence fees by the Transport Development Council (TDC). Firstly, the collection of tax and other levies is a state subject. After almost every state requested the TDC for years to increase the tax, the decision was finally arrived at at a TDC meeting in February 1999. After the notification, MoST was given six months to invite objections and proposals for amendments by all the concerned parties. While the Government of Maharashtra appealed to the TDC to increase the taxes further, there was no response whatsoever from any truck operator till the final notification was issued in October 1999, signifying how important this issue was to AIMTC.

"It is our good gesture that we have agreed to look into the demand for reduction in licence and permit fees though the said increase also seems to be inevitable. The financial implications of this may be hard to absorb, but we have taken up their case sympathetically since a solution has to be arrived at. After all, my ministry was never really responsible for the so-called strike, as the diesel hike has nothing to do with us. However, being a part of the Cabinet, I sincerely endorse this painful decision by the Ministry of Petroleum, which was inevitable considering the escalating oil pool deficit that the government was in no position to overlook. Yet, the job of formulating an amicable solution to the transport strike actually made us think in terms of doing something extra for the benefit of the operators. This is an attempt to try and offload their burden to certain extent and therefore this decision came as a goodwill gesture by the government," says Minister for Surface Transport Nitish Kumar.

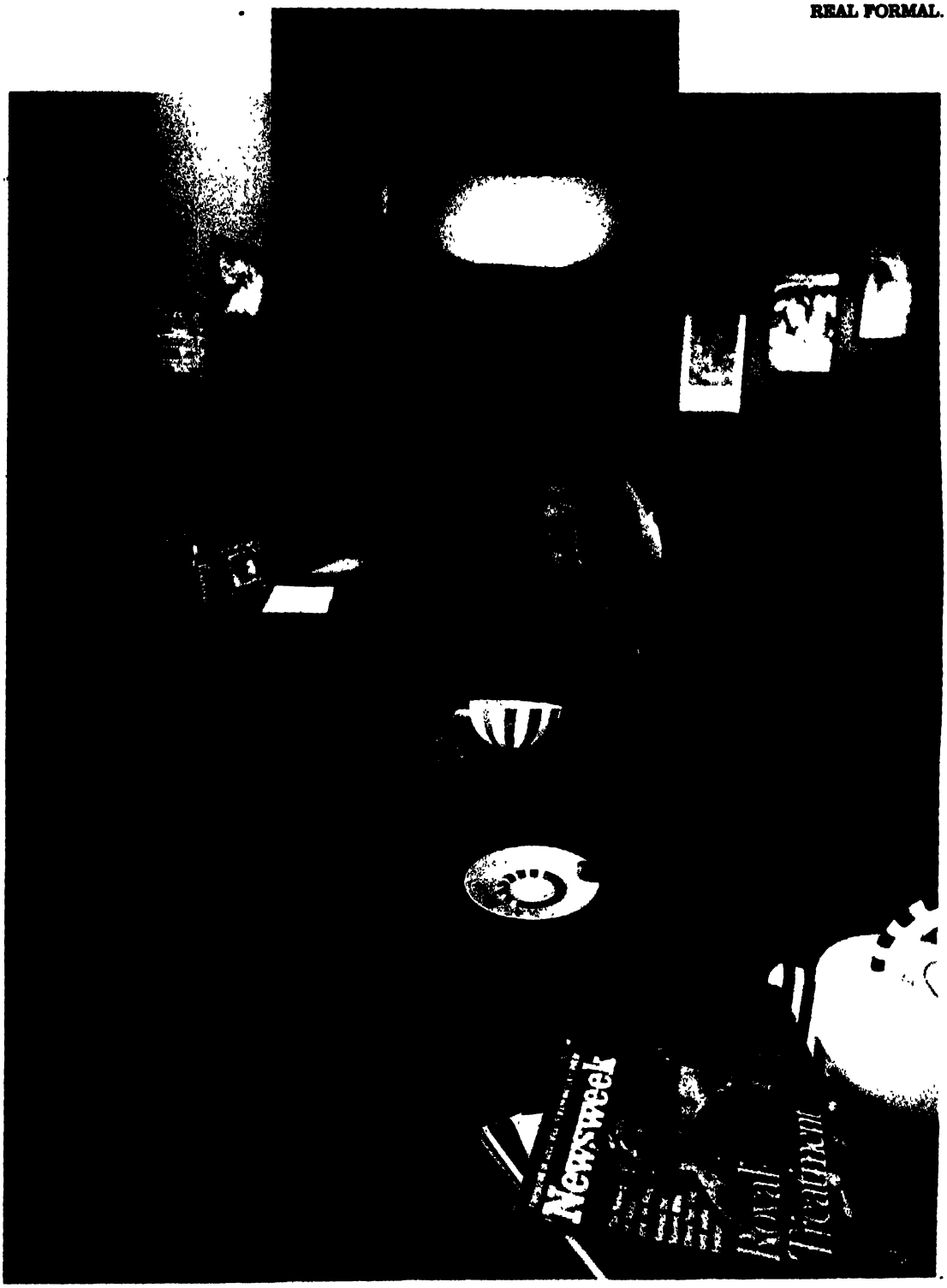
While the MoST has proffered a face-saving package, there's no mention of any immediate step to assuage the feelings of the striking operators. Most of the considerations referred to in the package are state subjects and will need skilful co-ordination between the states and the Centre to make it a meaningful exercise. And with the bitterness between governments of political parties opposed to the BJP-led coalition, co-operation in executing the same seems to be a daunting task. The financial requirement by the Centre to implement the promised sops has yet to be worked out but it would be interesting to know whether the government is any position to undertake such heavy budget schemes. It isn't difficult to make out that, for every penny the state governments lose for adhering to MoST's demands, they will seek adequate compensation. Moreover, the impact on different states will be different and it would be a Herculean task for the ministry to develop a formula applicable to all of them.

Face-saving sops

- Cabinet will consider industry status for the transport sector.
- Notification regarding increase in driving licence fee to be withdrawn.
- Hike in national permit fees to be sympathetically considered at next meeting of Transport Development Council.
- Consideration on amendment of certain clauses in Motor Vehicles Act.
- Permanent panel to meet every month to consider toll tax and other related issues.
- Minimum freight charges to be fixed by states on Centre's advice.
- Withdrawal of criminal prosecution, if any, against all transporters during strike period.
- Central help in sorting out *rangdari* tax extorted by state police.
- Proper construction of roadways. In case of state governments not being sincere enough to maintain national highways, Central agency will intervene.
- Modernising and computerising transport offices across the country to simplify procedures.

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Perhaps the most important announcement is the according of industry status to the transport sector once the Cabinet approves it. This means that lower finance rates for vehicles, minimum freight rates, and a standard policy for all would now become a reality, patching up the disparity between the big and small operators. "This has been an issue raised by transport operators for years together, though it initially did not figure in our demand this time. In return for accepting the diesel price hike we have managed to get a much bigger thing. Once we become an industry in technical terms, half our problems immediately stand resolved, be they labour issues or problems of recovering our money from various quarters," says AIMTC president O.P. Aggarwal.

Another significant sop for the transport operators has been the agreement reached on the toll tax issue and the establishment of a minimum freight rate, a part of the charter of demands in all earlier strikes. This issue will be resolved once the quantum of toll tax to be collected from selected stretches of national highways is streamlined. Fixing a minimum freight rate, however, cannot be really understood in real terms. While long-term contracts for supplies and distribution from bigger companies can comparatively easily come under its purview, the unorganised sector, which works on daily orders, can hardly think of sticking to a minimum freight rate unless the transport sector is given the status of an industry. "In fact, once we do become an industry, cheaper loans from FIs and banks will anyway ensure that the cost of operation for small-time players remains within sustainable limits," says AIMTC vice-president Jagdish Lal Khanna.

No matter how the entire episode ended in a manner that does not speak highly of anyone concerned, the Central government and the petroleum ministry were never really grilled on the nitty-gritty of the diesel price hike. Understandably, a steep hike all of a sudden once the elections were over rather than a gradual increase in the prices in line with the international escalation in crude oil prices was purely the result of political considerations. "We are aware that the base price of fuel can not be revised since it is determined by international market forces. What we have been asking for is a change in the duty structure of diesel with uniform sales tax and a reduction in customs and excise duties from 16 to 4 per cent. Moreover, even while the percentage increase in basic price, customs and excise, and sales tax is 28.7 per cent, the distribution cost has gone up abnormally by 159.34 per cent. It just needs sincere analysis to see who is right," says AIMTC secretary-general J.M. Saxena. However, S. Narayanan, secretary in the Ministry of Petroleum, does not buy this argument. He says they are all related parameters that cannot be played around with under any circumstances.

As put by MoST officials, since there was no public outcry against the hike, this being the peak season, and as the cost of a standing truck procured on loans stands anywhere between Rs20,000–30,000 per month, it was but natural that the truck operators would bend. "With politeness and patience as key instruments, a strategy to deal with the strike was devised, almost scientifically. Analysing all earlier strikes by the transporters, it was found that none of them had ever lasted beyond 10 days. The government then prepared itself for a month-long strike though it knew it just would not hold. The odds were against the transport operators and the end result is there for all to see," say Ashoke Joshi and MoST undersecretary K.R. Bhati.

So far, so good. It's a foregone conclusion that, as the operation of each truck will cost Rs12,000 more on an average per month, the big trailers and tankers costing even more, there will be a spiralling effect on the economy, resulting in high inflation. Also, the farming community, like the transporters, is also directly affected by the diesel price hike and so the cost of agricultural output is bound to escalate. If there is a public outcry, with certain key allies in the Vajpayee-run coalition already showing their displeasure at the hike, any public outcry will automatically find many sympathisers. The disgruntled transport operators, having faced humiliation, will only be waiting for another opportunity to strike. It remains to be seen whether the government is prepared to face that, should it happen, or whether it will once again launch a fire-fighting operation.

• MANOJ NARULA

Seven-day drama

20 October: AIMTC announces indefinite nationwide strike of truck operators. About 2.26 million trucks, 3.5 lakh private buses, and 1.6 lakh light commercial vehicles go off the roads.

21 October: State government associations of WB and Orissa opt out of the strike. Panic buying of essential commodities at various places causes steep hikes in prices.

22 October: An impact study conducted by the Indian Foundation of Transport Research and Training reveals marginal impact throughout the country with only 40 per cent trucks staying off the roads. Prices of essential commodities come down a bit.

23 October: Truckers of MP, Hyderabad, and Chennai withdraw from strike. Essential Services Maintenance Act imposed in many states. Prices of essential commodities continue to fall.

24 October: Most commodities return to pre-strike prices. Impact of strike wanes as government makes a firm statement in Parliament that there will be no rollback of diesel prices.

25 October: AIMTC proposes face-saving formula to resolve the ongoing strike by offering to settle for a cut in customs and excise duties and sales tax rather than in basic prices of diesel. Government rejects it outright. Truckers in Himachal Pradesh withdraw their strike.

26 October: Truckers in Kerala, Gujarat and UP also call off their strike. One-day-old strike called by WB truckers also called off after assurances from the state government to look into their demands.

27 October: After a long discussion between AIMTC and Ministry of Surface Transport chaired by Nitish Kumar, AIMTC calls off strike as government announces certain sops in lieu of AIMTC giving up its demand for the rollback of diesel prices.

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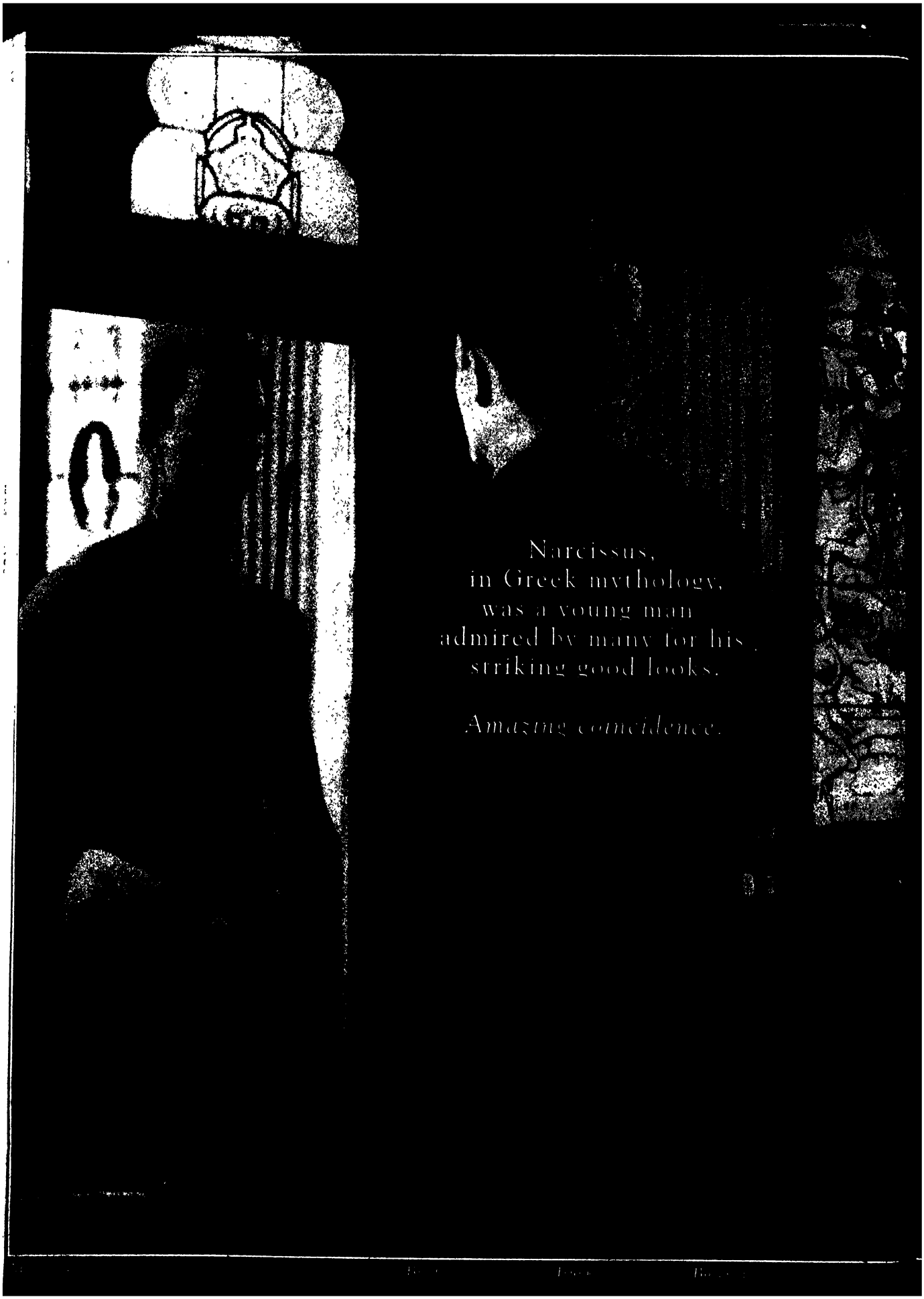
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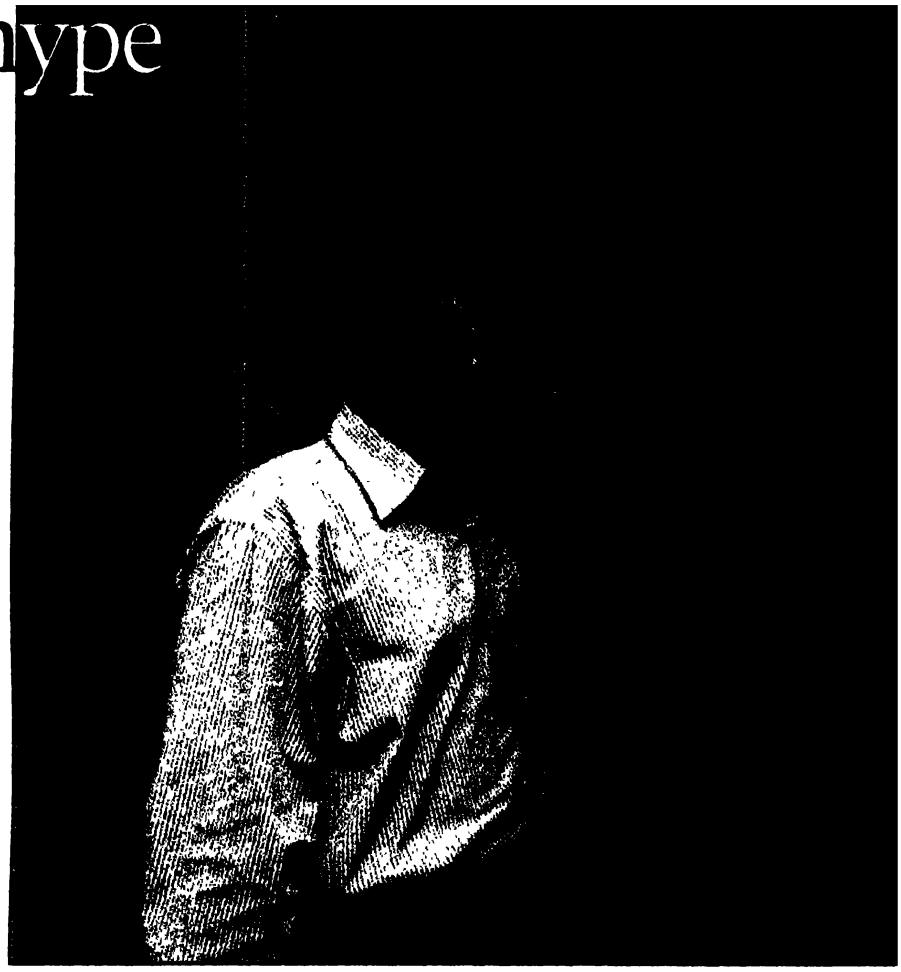


RIVOLTA

Undress code for men

Victim of hype

Ten years of moderate success belie the high expectations raised by the country's initiative in advanced computing



C-Dac is now developing a supercomputer based on Intel's commonly available Pentium processors

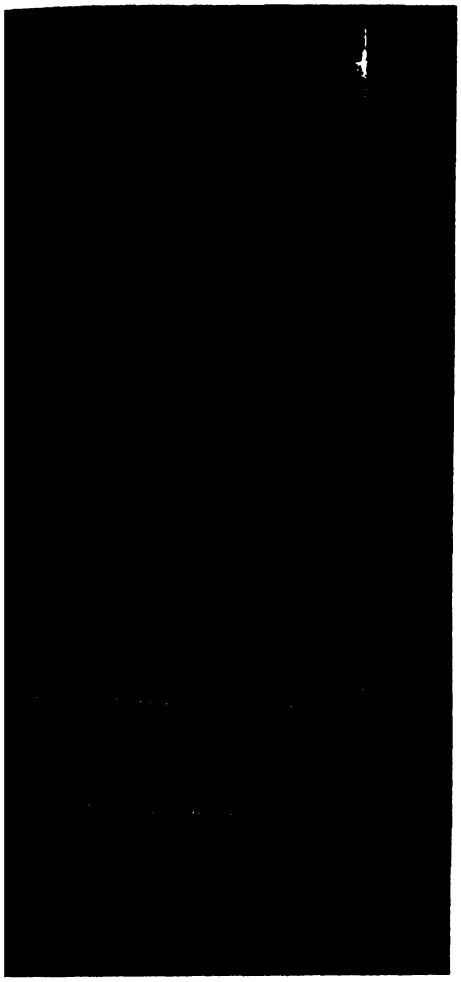
Param is an acronym for 'parallel processing machine'. In Sanskrit, it means 'the ultimate'. And that in short has been the undoing of C-Dac, the institution that was founded in 1988 to develop Indian capability in supercomputing design and applications. If there are misgivings about C-Dac today among many well-wishers and former staffers it is because of the high expectations and hype generated by Param in 1991. What has been achieved today is moderate success in parallel processing design, some level of capability in appropriate software development, unrelated but useful diversification into software for Indian-language desktop publishing, and now another lucrative but unrelated diversification into computer education.

But let's start at the beginning. The Centre for Development of Advanced Computing was born in Pune in 1988, after three years of negotiation with the US for a supercomputer for weather forecasting. The US in those days was the only developer and producer of supercomputers in the world. Finally, after a lot of difficulty and only after Rajiv Gandhi personally went and met Ronald Reagan, that country agreed to give India a Cray XMP model which had lower capability than the Cray YMP that India wanted. Even the sale of the Cray XMP had several humiliating conditions attached to it. As a result, India decided to develop its own supercomputer and C-Dac was set up in 1988 with a mandate to develop a supercomputer that was more powerful than the Cray XMP, within three years.

By 1991 C-Dac did build India's first supercomputer called Param 8000, which had a peak computing speed of 1 gigaflops (1 billion floating point operations per second). R.K. Arora, C-Dac's current executive director, says: "While building Param 8000, C-Dac chose a microprocessor chip called the 'Transputer', which was manufactured by a company called Inmos in the UK." Several of these Transputers were used as building blocks in a parallel network to obtain high computing speeds. In the next phase, from 1993 to 1998, C-Dac got the mandate and the funds from the government to build a machine that was 100 times more powerful than the first one it had built in 1991. "It was to be a 100-gigaflop machine with an architecture that could be scaled up to 1 teraflop (1,000 gigaflops)," says Arora.

But C-Dac scientists had already anticipated that over the years the availability of transputers would become increasingly difficult. "Also, more powerful processors were being developed all over the world and we wanted to make use of these developments for our machine," says Arora. So C-Dac chose the powerful Sun Ultrasparc chips made by Sun Microsystems of the US for its next-generation Param 9000. Later, it started using entire Sun Enterprise 450 workstations, each of which had four microprocessors, connected in parallel by a high-speed communication switch. "These switches are proprietary in design and are made by companies like IBM, H-P, Silicon Graphics, etc, and are not easily available in the international market. So we decided to design our own switch," says Arora.

As a result C-Dac scientists designed a low-latency, high-speed switch called Paramnet. This involved the design of a special 0.8μ (micron) chip with as many as 217,000 gates. "This is easily the most complex chip designed in India," says Arora. The Paramnet switch has a throughput of 400 megabits per second in each direction. "In the next phase we are working to



PRAKASH JADHAV

Arora

develop a switch with a throughput of 8 gigabits per second."

For the present, Paramnet has been used to link 44 Sun workstations, each with four CPUs or nodes, to build a 176-node Param 10000 supercomputer with a peak computing speed of 100 gigaflops scalable up to 1 teraflop if required. This machine, which was ready on schedule in March 1998, is now housed in the National Param Supercomputing Facility (NPSF) in Pune and soon will become accessible to scientists and researchers all over the country through the Internet.

Fabulous, right? Not if you listen to what the critics have to say. Many in the scientific fraternity, and some of those earlier occupied key positions in C-Dac itself, point out that a vast majority of the 37-odd Param supercomputers that have been sold by C-Dac since 1991 have been to educational and research institutions and not for real world applications like weather forecasting. Mohan Tambe, an ex-C-Dac scientist, says: "The biggest problem with parallel processing machines like Param is writing the parallel program itself, where achieving coordination between the processors becomes unwieldy, whereas sequential machines like Cray have conventional compilers which make programming easier."

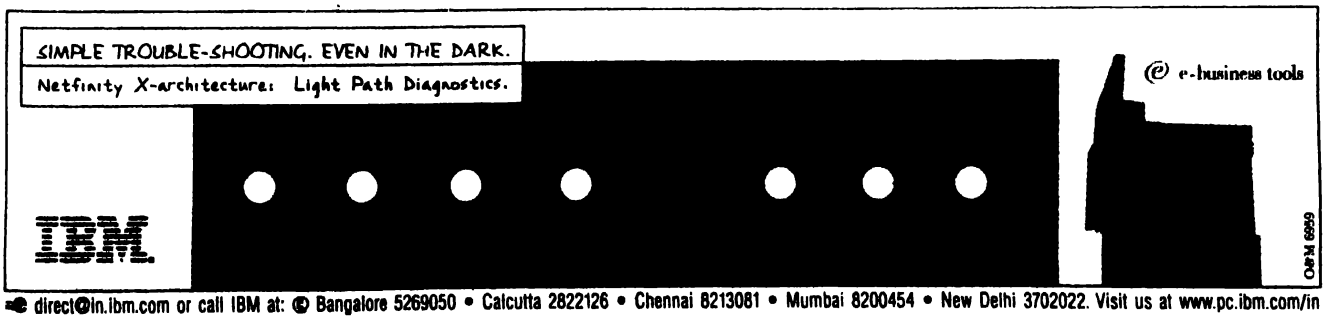
Vasant Gowariker, the famous weather scientist who headed the Department of Science and Technology in Delhi 11 years ago, was asked why DST had ordered the Cray machine instead of the Param for weather forecasting. He said: "For one thing, the Param was still under development when we ordered the first Cray machine. Secondly, the Cray machine is a general purpose supercomputer while Param is an application-specific machine and unless C-Dac develops more and more applications on Param as well as specific application-related software, machines like Cray will be preferred to Param."

Pradeep Kumar Sinha, who currently heads the NPSF, admits that parallel programming is more difficult than conventional sequential programming because a problem has to be divided into a number of parts which are then executed parallelly on different processors. This is not necessary in sequential programming because the entire problem is run on a single processor. "Moreover," he points out, "parallel programming is a new concept which has got impetus only recently, while sequential programming has been the standard for decades and is well understood."

"C-Dac has a separate centre in Bangalore for software development which has been working for the last 10 years on parallel programming. It has developed a high-performance, user-friendly computing and communication software suite, besides programming tools like compilers, debuggers, and profilers for use on Param," he adds.

He also says that it's not true that Param has only been sold to educational institutions. "There are several Param installations at non-educational institutions like the National Informatics Centre (NIC) Delhi, National Centre for Medium Range Weather Forecasting (NCMRWF) Delhi, ICAD (Moscow), etc. Param has been extensively used by ONGC for seismic data processing for oil exploration. It is certainly being used by NCMRWF and ISRO, albeit on a trial basis."

Apparently the weather department is thinking of discarding its 11-year-old Cray XMP machine which is now obsolete and going in for a new supercomputer. C-Dac has installed a scaled-down version (6.5 gigaflops) of its latest Param 10000 machine for NCMRWF, which has been running trials for the last six months. "For many years we have successfully run weather forecasting models at our Param facility in Pune which we are now demonstrating to NCMRWF in



Delhi. The one-day forecast model was run in three minutes and 52 seconds on the smaller eight-node Param 10000, while the same model takes 15 minutes on the Cray XMP machine," says Vijay Bhatkar, founder-director and now advisor to C-Dac.

Despite the centre's efforts to sell Param to the weather department, the latter might still go in for another Cray machine. Sources at Silicon Graphics, the US computer multinational which sells Cray supercomputers, confirm that they too are offering the latest Cray model to NCMRWF. In fact, according to C-Dac sources, Silicon Graphics is even willing to undercut C-Dac, despite the fact that the Department of Electronics, which owns C-Dac, is ready to partly fund a Param purchase. "But," admits Bhatkar, "they might still be able to sell the Cray machine because Silicon Graphics has a strong lobby in the government."

But what's ironic is that the US is now bending over backwards to sell its latest Cray machine to India. "That is exactly the point I want to make," says Bhatkar. "Before we started developing Param there was a strict ban by the US on the sale of supercomputers to India. But the moment we started, the US relaxed the ban and several Indian government departments imported supercomputers from that country. Its intention was to stifle indigenous development of high-end technologies like supercomputing. Even when tough sanctions were imposed on India after Pokhran II, the US government went out of its way to exempt Silicon Graphics and allow it to sell a supercomputer to India. The reason: the Param 10000." According to Bhatkar, the US government has a clause in its foreign policy that allows American companies to sell their supercomputers for specific applications like weather forecasting to a country that already has indigenous supercomputer technology, even though that country is under US sanctions. "Clearly, this policy is designed to snatch the limited market for supercomputers from domestic players like C-Dac and eventually kill them," says Bhatkar.

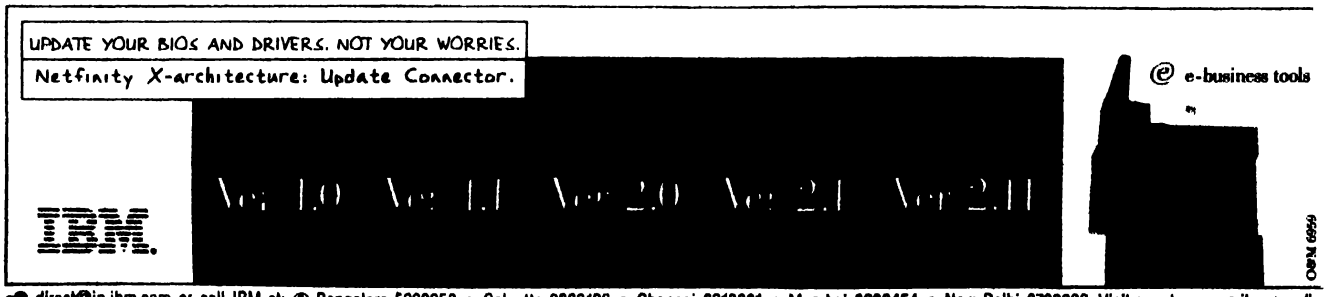
But Silicon Graphics cannot sell its supercomputers to ISRO, which is an organisation blacklisted by US and cannot receive any advanced technology from any US company. C-Dac is negotiating with ISRO and the Department of Space (DoS) to sell them its Param 10000 machines. The DoS, ISRO, and the Vikram Sarabhai Space Centre have already bought several nodes of the earlier Param 8000 but these machines are outdated now. ISRO needs more powerful machines to design its satellites and future launch vehicles like GSLV, and to handle the huge volumes of data received from its remote sensing satellites. "C-Dac hopes to sell some of its machines to DoS and ISRO, which are currently trying out our latest Param 10000 machines," says Sharad Purohit, who heads the applications group at C-Dac.

In fact, C-Dac itself is blacklisted by the US government. "That's the reason we developed an 'open frame' architecture for Param 10000, so that it frees us from dependence on any custom-built components. Commodity computer items like Sun workstations can be used in our design. We realise that, in the future, we may not be able to get even Sun workstations. So we are developing a machine based on off-the-shelf, low-cost Pentium-based machines which will have features identical to those of the Param 10000," says Arora.

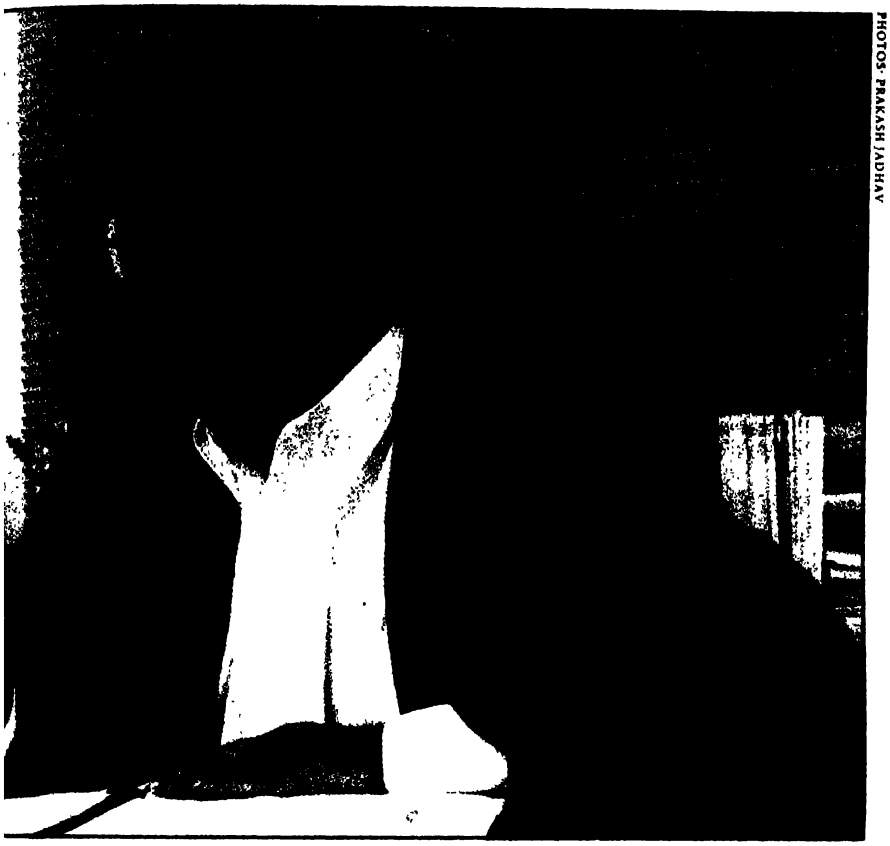


Bhatkar says US foreign policy is designed to kil

Despite severe strictures imposed on it by the US government, C-Dac has had its share of successes — it has been able to sell Param machines to Germany, Canada, and Russia. More recently, in the last year, it sold Param 10000s to NIC Delhi and a private financial company in Singapore called Man-Drapeau Research Pte Ltd. Both organisations seem to be very happy with their machines' performance. NIC is using its machine to create a GIS (geographical information system) mapping water and mineral resources, etc, of different states using remote-sensed satellite data. Director-general



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PHOTOS: PRAKASH JADHAV

Indigenous supercomputing enterprise

N. Seshagiri says, "We have so far completed a GIS for Sikkim and now we will be doing it for Uttar Pradesh." Yeong Wai-Cheong, director of Man-Drapeau, says: "We are a global fund management company that uses computers to do extensive data mining on stocks. We look for patterns in stock price movements and develop computer programs to invest in these stocks. We chose Param 10000 because we got interested in the scalable technology of C-Dac using commodity computer components. We are quite happy with the price and performance of the Param 10000 over the last year. It has worked trouble-free."

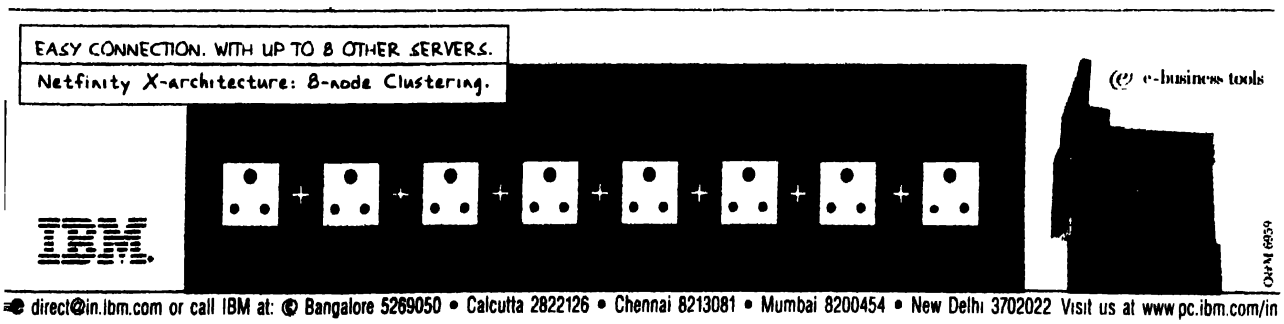
But Param isn't all C-Dac has on its plate; its Gist division is a market leader in multilingual hardware and software products. The Leap word processor and iLeap, an e-mail software package, both in Indian languages, have already sold thousands of copies. "Doordarshan has recently placed a Rs5.5-crore order for character generators, used to generate titles in Indian languages at the end of a TV serial. We are likely to get more orders for such hardware, which we have developed entirely by ourselves," says Chandrashekhar Raje, who heads the Gist business division.

In 1993 Bhatkar started the Advanced Computing Training School (ACTS), the education division of C-Dac. In five years this activity has grown rapidly and today there are 62 ACTS centres all over India which train 5,000 students annually in advanced computing, computer arts, etc. C-Dac has been criticised for straying into NIIT-like operations, but Bhatkar replies: "One of the five charters of C-Dac states that it should develop high-quality manpower in the field of computers. Moreover, the revenue generated by this activity has sustained us whenever there has been a funds crunch. In fact, we could complete the development of Param 10000 only because of funds from this activity."

"We aren't worried about criticism and business from all our divisions is growing," says Arora. The fact is that turnover has grown rapidly from Rs19 crore in 1997–98 to Rs35 crore in 1998–99 and is expected to double to Rs71 crore (Rs34 crore from education, Rs13 crore from Gist, and Rs24 crore from supercomputing) in the current year. C-Dac, therefore, is clearly headed towards self-sufficiency in funds.

The centre has come a long way from those heady days of Sam Pitroda's technology missions. It has been continuously losing talented people to the IT industry as that sector has become a veritable money-spinner and, hence, a fantastic paymaster. The government, which kept the supercomputing mission in a limbo between 1991 and 1993, has contributed quite a bit to its drift. But the overall benefits seem to outweigh the costs, (crucially) in a technology of strategic importance for the country.

• ROOP KARNANI





The Silverline group is restructuring to improve perceptions

With a name like Silverline, it was bound to take a bit of a drubbing. Every jaded hack in search of the ultimate pun has found in the company a "silver lining". Inevitably, they have had to conjure up some dark clouds to go with the metaphor. Which is somewhat hard lines for a company that has so much going for it. Yet, in a way, software and services provider Silverline has itself contributed to the dark clouds. "We have a perception problem," admits chairman Ravi Subramanian. Executive director Kumar Subramanian elaborates: "Our performance has been good, our profits have been okay, but the perception has not been good."

In an attempt to remedy this, the group is going in for a major restructuring (or, as Kumar puts it, a right-structuring) exercise. The Silverline group currently consists of Silverline Holdings Corp (SHC) of the US, the parent company of wholly-owned Silverline Technologies Inc (STI) of the US, and 51-per-cent-owned Silverline Industries Ltd (SIL) of India. Now STI is to be acquired by SIL at a cost of $46.25 million. There will be a fresh issue of 4.5 million shares on preferential allotment basis to SHC at Rs445 per share in consideration of the acquisition. While the SIL board has already approved the move, it will be cleared by an extraordinary general meeting (EGM) in early November.

What the Silverline brass hope to do through this restructuring is remove doubts in the minds of analysts and investors about the business prospects of the Indian company. Ravi Subramanian explains that it is the classic debate about the wholly-owned subsidiary vs. listed Indian company revisited in a new guise. "People were worried that the lucrative contracts would go to the 100-per-cent-owned subsidiary and not the Indian company," he says. In other words, STI would skim off the cream while SIL would have to be content with the leavings. Under the new scheme of things, with the Indian company owning the US outfit, there can be no such doubts.

What makes for a sense of déjà vu is that this is the way Silverline started life. The IPO of the Indian company in September 1992 was used, in part, to purchase a US-based staff supplementation company called Infocom, which had revenues of $5 million at that time. This immediately catapulted Silverline to the ranks of the top 10 Indian software companies.

The problems started soon after. Senior vice-president (corporate finance) Himanshu Shukla explains: "India was still at that time in the early stages of liberalisation, images of snake charmers dominated the average American mind, and the overall engagement of Indian programmers in the US had not yet reached critical mass. The core marketing problem was compounded by the inability of the US subsidiary to get adequate working capital financing from US financial institutions."

Ravi Subramanian remembers that he had to keep knocking at the doors of the Ministry of Finance in New Delhi to get permission to put more funds into the US subsidiary. But, after approving a series of applications, the ministry said no when the investment had reached $5 million. "We reviewed our options and found that we had to spin off the US subsidiary," he says.

Thus a US holding company – SHC – was created and a venture capitalist was brought in to fund the exercise. The US subsidiary was divested in January 1997 and a reverse merger ("to reintegrate the companies") was concluded by the end of the year. "Silverline USA was able to tap into a $15m line of credit from Chase Manhattan Bank at US prime," says Shukla. It was a far cry from the earlier days of severe cash crunches.

This boosted business and facilitated the planned move from staff supplementation (read bodyshopping) to application management and product development. "By the end of 1998 the Silverline group was $60m in size with only 20 per cent of the total revenues coming from staff supplementation," says Shukla.

That's the bright side of the picture. On the dark clouds front were the numbers chalked up by the Indian subsidiary. The accounting policies no longer allowed the Indian company to consolidate all US revenues as part of its balance sheet. Total sales/services at $20.72m for the year ended March 1998 actually showed a marginal decline from the previous year. "It was a year of extraordinary growth which was hidden by the accounting rules," says Shukla. Understandably, the stockmarkets and the big investors such as the mutual funds did not take to kindly to the Silverline share. "In this business topline is as important as bottomline," says Kumar Subramanian. And that's not only as far as the markets are concerned, he elaborates: it makes a world of difference while bidding for projects or going in for alliances.

That was always true, of course. So what explains the change of strategy: why is the Indian company becoming *numero uno* once again? "The new rules allowing Indian corporates to enter the US capital markets through the ADR route," explains Ravi Subramanian succinctly.

The plans have already been firmed up. On the agenda at the 5 November EGM is an ADR issue of $75 million. "The issue is mainly to fund acquisitions and for giving stock options to the employees of the US company," says Ravi Subramanian.

An avalanche of interest

The ADR issue is slated for early next year, after the markets get over their Y2K-related nervousness. But with the craze for Indian infotech issues in the US (witness the bull run in Infosys and Satyam), interest is already building up. The Silverline Corporate Plaza at Piscataway, New Jersey, is being inundated with phone calls from analysts. A prominent Indian mutual fund has already decided to take up a substantial stake. "Yes, there is possibility that that there could be other Indian infotech ADR issues before Silverline," agrees a New York-based fund manager. "But we are confident that the appetite will continue." Paresh Khandwala, director of the Mumbai-based Khandwala Securities, adds: "It's a great story. I particularly like the focus on takeovers."

Action plan

- Silverline Industries Ltd (SIL) to acquire Silverline of the US for $46.25 million
- SIL to make an American Depository Receipts issue of $75 million
- Strategic acquisitions in Europe, the US, and India
- Increased focus on new technologies and high-end business consulting in e-commerce/Internet systems

Takeovers are going to be one of the pivots of Silverline's growth plan. It set its foot on the ladder with the purchase of Infocom in July 1993. In 1994 Silverline USA bought a small specialised software product company called Netcom. That was not a success. "We learnt that product and services companies are very different in nature and it is difficult to merge the two cultures," says Shukla. What it did, however, was to provide a learning experience that came in handy in its next major takeover — Lorin, a high-end IT staff supplementation company focused on the US financial services sector.

"Silverline's aim was to increase market presence," says chief operating officer Shankar Iyer. And, working in tandem with Lorin CEO Charles F. Carlino (now senior business development vice-president at Silverline), he claims to have done just that. Iyer explains was that the big issue was to make the merger work. "But it was very smooth," he adds. Carlino explains that for him it has been business as usual with the difference that, as a part of a larger entity with more broad-based interests, there has been even more business.

Lorin has not only given Silverline an entry into the top end of the staff supplementation market; it will also enable the company to leverage the Lorin client base to cross-sell offshore services. The financial sector is still the boom area for IT (particularly e-commerce and allied arenas) in the US, and it always helps to have friends in high places.

On the anvil now are a number of other acquisitions, for which a war chest has already been put together. This will be augmented by the ADR proceeds. Silverline has started negotiations with companies in Europe, the US, and India — "targets that give either additional geographic breath to the firm or have strong skills or presence in identified priority areas for the firm". Ravi Subramanian says that marketing companies in US could be targeted too. The objective is to rope in companies that already have an existing client base. They can continue servicing these clients but using instead Silverline's offshore development facilities in India. This is available at a fraction of the cost of comparable US developers. "The client is not bothered about where the development is taking place," says Ravi Subramanian. "He is concerned with getting his job done. And he is, after all, working with his existing service provider. What's more, he will also be paying less."

The proof of the pudding will come in the post-takeover phase. But Iyer explains that the group is confident of

its skills in making mergers and takeovers work and counts it as one of its major strengths now. This is what will be instrumental in making it a global company.

In its quest to expand its global presence, however, it's not as though Silverline is neglecting things at home. That is where its heart is anyway; Silverline's business model has been to set up world-class software development facilities in India to cater for the information technology needs of corporations around the world. The focus has been on executing projects in India instead of sending software professionals overseas. Yes, bodyshopping was the entry point. But, says Ravi Subramanian, "that is getting increasingly less relevant today." And Y2K work, which had dipped to zero sometime last year, is being done only as an add-on service for major clients.



At work at the Thane facility

The facilities in India are indeed being beefed up. Silverline has just flagged off a state-of-the-art 110,000-sq.ft. software development centre at Thane, near Mumbai. Another similar 150,000-sq.ft. facility at Chennai should be ready in the next few weeks. The total tab for these two projects: around Rs130 crore. "You can't call them development centres," says Ravi Subramanian proudly. "They are software palaces."

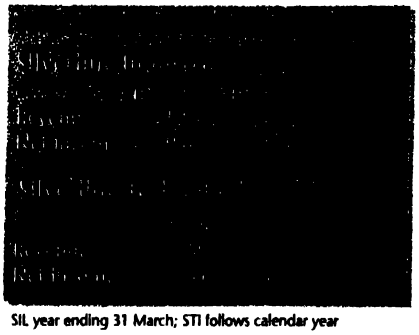
Apart from the normal tools of the trade – high-speed links and what have you – these centres have been provided with a whole array of employee amenities — amphitheatres, gymnasiums, and even a planned swimming pool. In the infotech business, with its high employee turnover rates, these frills are probably necessary.

Silverline itself has had to contend with this problem. The attrition rate last year was 22 per cent, though this has come down since. "At our new centres we are offering a better quality of life," says Kumar Subramanian. Ravi also stresses that his people are his biggest asset and training programmes and stock options are designed to retain talent. But as Silverline expands, it will have to have to be even more careful on this front.

Expansion in terms of human resources is very much on the agenda. The group now numbers about 950 in India and another 400 in the US. This will be boosted up to 2,000 in India and 500 in the US in a year's time.

At its new centres in India there are likely to be sections and even floors devoted to individual clients. Silverline has never believed in packing its client list; today some 10 customers account for 70 per cent of its revenues. These include well-known names such as Bell Atlantic, JP Morgan, Nippon Electric Company, British Telecom, First Data Corp, and Siebel Systems. With most of these companies the interaction began with a small project but the relationship has matured and increased with growing confidence. "We expect to carry on this way," says Shukla. "We will increase the number of clients to, say, 25. But we are looking at $1m-plus relationships."

The clients seem to see synergies in working with Silverline too. Michael C. Pinkus, CEO of InterRide Inc, a company Silverline has been associated with for the past six months, says: "I see a tremendous continuance of our relationship as it has both economic and technology benefits over other providers."



SIL year ending 31 March; STI follows calendar year

But the nature of the market may force Silverline to change tack a bit. The group has traditionally been in areas such as enterprise relationship management solutions and legacy applications systems maintenance and support. But the new kid on the block is the Internet and e-commerce and that may entail some course-correction.

"Some 75 per cent of the new contracts are Web-related," says Shukla. Director Rajan Subramanian, who is spearheading the e-thrust, adds: "Today 30–35 per cent of our turnover is e-commerce or Web-related. It should be 50 per cent next year."

Silverline's mainline clients are putting their e-business projects its way. The group has also bagged a couple of other large projects. Rajan Subramanian in particular is excited about an assignment that involves matching consumer demographics to the stockmarket. But a lot of work will be done for startups too. "There will be an increase in the number of companies so that the risk factor is spread out," he says.

Silverline already has in its stable



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Kumar Subramanian is equally proud of the "software palace" at Thane

e-Retail, a product that helps retailers sell on the Net, and Virtual Shopping Mall, an application that facilitates the setting up of an entire mall on the Net. "The group is poised to help define the new frontiers of the new age," says Ravi Subramanian.

The Net has already started impacting the bottomline. For SIL, the Indian company, high-end business consulting in e-commerce/Internet systems contributed 23 per cent of the business booked up to September 1999.

The numbers show revenue growth of 91.78 per cent in the second quarter. Revenues stood at Rs46.43 crore, while operating profit was Rs18.19 crore. For the first half, revenue was 87 per cent higher, while net profit chalked up 97 per cent growth. For the year ended 31 March 1999 revenue stood at Rs110.15 crore, while net profit was Rs43.22 crore.

The consolidated revenues for SHC for the year ended December 1998 were $60.5m with a net income of $11m. After the entire financial restructuring exercise SIL will start with a base revenue of Rs350 crore. And this does not include the component that the takeovers could add.

"This will take Silverline back to the ranks of the top five Indian software firms," says Ravi Subramanian. "That's where we were before spinning off the US subsidiary." He thinks that is exactly what the market has been missing out on: the fact that the Silverline group has maintained its position though the numbers conceal it because of the corporate structure.

But Ravi is not happy with just regaining past status. He's looking at being No. 1 three years down the line. "We have everything in place," he says.

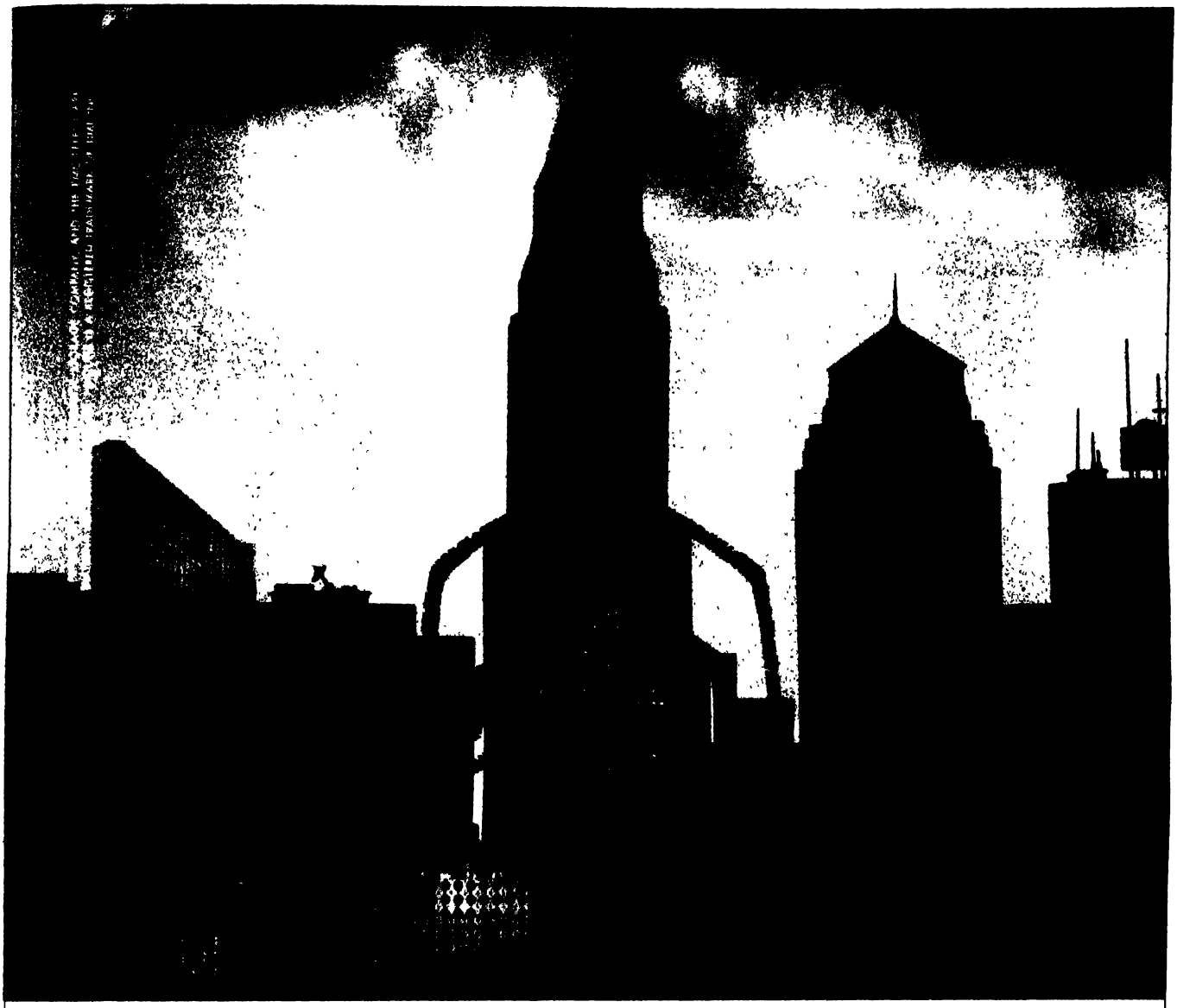
That's expecting a lot as competitors have got their own grand plans too. They say Silverline has one major competitive advantage: its front-end in the US is in much better shape. It is only recently that companies like Wipro have begun posting very senior staff in that country, while much of the Silverline brass, including the chairman, has been based there from the beginning. "The US is the real battlefront," says vice-president (projects) Bikram Sapra. "Our executive management is here, unlike in most other organisations."

But this has been, thus far, a disadvantage in terms of perception of the Indian company. Some analysts wonder whether it will continue. But Silverline officials counter that a strong team is being put in place in India too, particularly in areas such as technology and quality control.

The other grey area also relates to the management. Says Shukla: "Silverline is at the cusp of generating sustained growth of over 60 per cent annualised for the next few years. The question that invariably must be asked is, how will management manage the process of doubling the company every 18 months or less? The Silverline management team of today has never run a $100m organisation, much less one that is doubling from that scale in short order. The challenge is significant and the threat is psychological."

Ravi Subramanian, however, is confident. "I know my people, I know the American market," he says. "We will emerge on top." Silverline is clearly not going to be satisfied with Silver any longer.

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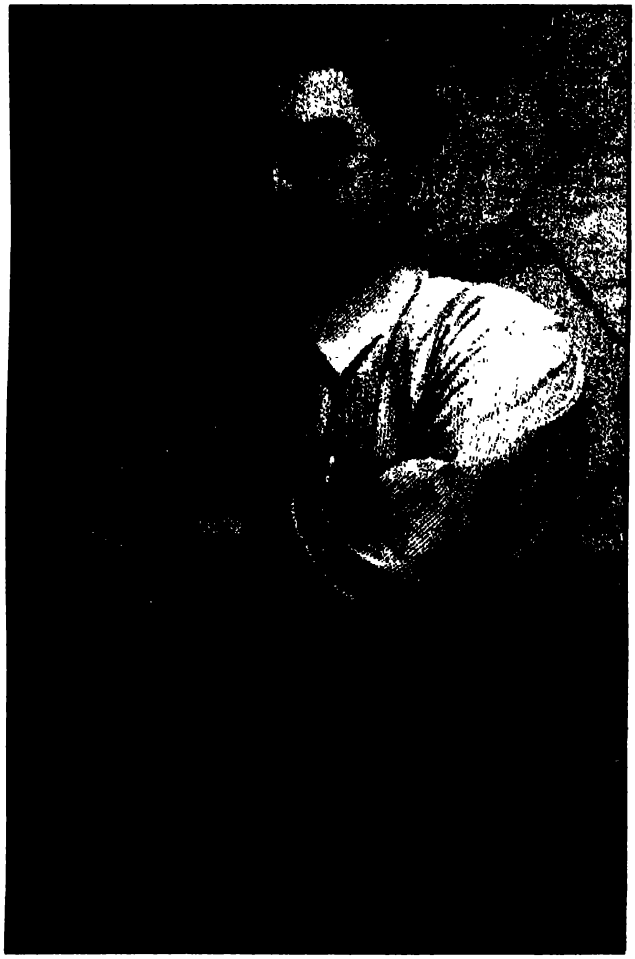
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Rooting for it

From being a mere commodity player, Roofit has consolidated its position in the building products industry. It is now all set to take on the rural and overseas market, besides launching value-added products

For the past 15 days, the Roofit Industries Ltd (RIL) stock has been hitting the roof on the bourse. Almost every trading day, the share has been touching a new high. Barely a year ago, the scrip was languishing at Rs33 (primarily due to a drop in the net profit in 1997-98: Rs11.15 crore as compared to the previous year's Rs11.86 crore). It then steadily clawed up and is currently changing hands at Rs191. However, real activity in terms of volumes on this counter perked up since end-July, just after the unaudited financial results for the year ended 30 June 1999 were made public.

Check out the numbers. Compared to the previous year, sales for the year ended June 1999 is up 69.73 per cent to Rs183.63 crore. The net profit figure has shot up by 78 per cent to Rs19.89 crore. The bottomline growth is despite an overall surge on all three major account heads, namely financial charges, depreciation provision and taxation which were up by 66, 91 and 102 per cent respectively. The jump in net profit has caused the earnings per share (EPS) to almost double from Rs15.86 to Rs31.08 (on an equity base of Rs6.39 crore). Even at the current level, these earnings are discounted a mere six times against the industry average of 10 times.



UMESH GOSWAMI

Suresh Motwani seems secure under a sound roof

Now comes the recently declared first quarter (September 1999) results of the current year. Here again, RIL continues its north-bound journey both at the top and bottomline. While the turnover for the quarter has crossed Rs60 crore, the net profit is Rs7.23 crore. "RIL should end the year with a turnover of Rs300 crore and the profitability will be maintained at the current level," says RIL chairman Suresh Motwani.

Formerly known as Ratnagiri Building Products, RIL has come a long way to become the flagship of the Aurangabad-based Motwani group which holds 51 per cent in the company. It was in 1986 that this Rs350-crore, low-profile group, which has a four-decade experience in the distribution of asbestos cement (AC) sheets, acquired this company. Prior to the Motwanis' acquisition, RIL was a dormant outfit which, however, held a manufacturing licence. Immediately after the Motwanis stepped in, they started implementing the grassroot project for manufacturing 36,000 tonnes per annum (tpa) of AC sheets and accessories at an outlay of Rs5.85 crore at Ratnagiri (Maharashtra). In 1988, the first products rolled out and were sold under the Roofit brand. "In the fitness of the roof, it is the edge over an edge job that counts. Which means fitting is an important part of roofing. Hence the name Roofit was coined," explains Suresh Motwani.

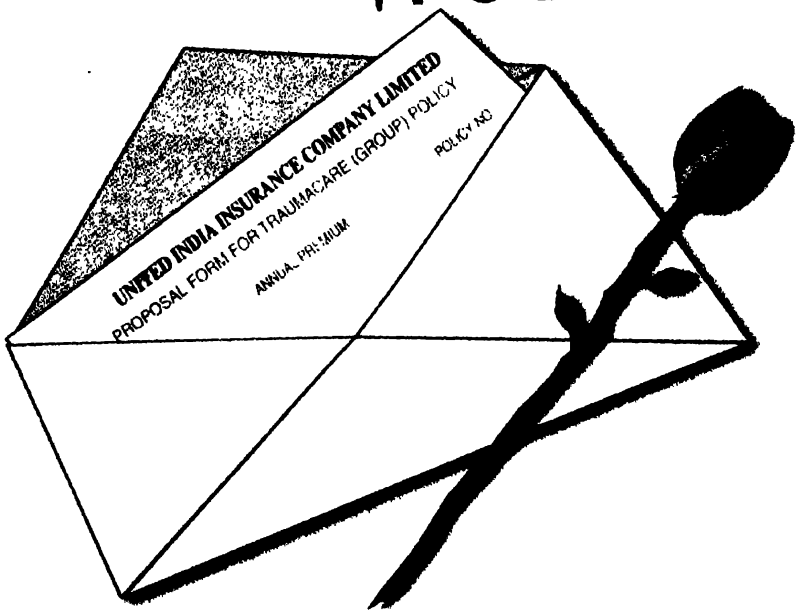
Subsequently, in 1991, RIL increased the capacity to 45,000 tpa and by 1993 went in for a backward integration project to manufacture 60,000 tpa of cement. Then came a strategic acquisition by RIL. It took over Premier Roofing Products which, besides AC sheets, also made AC pressure pipes. "Since RIL was already operating at near 100 per cent of its capacity, this acquisition enhanced the capacity at the disposal of RIL from 45,000 to 75,000 tpa thereby providing a growth avenue to the company for the next two years," points out Vinod Motwani, managing director of the company. In the following years, RIL besides setting up a greenfield, 45,000 tpa plant at Wada, undertook modernisation and expansion programmes at the other units to take the total capacity to 1.60 lakh tpa which makes it one of the largest manufacturers of AC sheets in the country.

On the financial front, the acquisition, expansion and consolidation moves not only meant growth in volumes but also improved returns. All through the decade to June 1998, as volumes grew, RIL has been able to achieve consistent growth on the major financial parameters. "The compounded annual growth rate (CARG) of sales has been 56 per cent. And, in terms of profits, while at the

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	31.78	44.73	60.79	105.75	108.19	183.62
	4.19	5.53	7.15	11.86	11.15	19.89
	3.92	6.30	6.40	6.40	6.40	6.40
	10.68	8.65	11.17	14.79**	15.86	31.08

operating level the CARG is 96 per cent, the net profit grew a faster clip of 119 per cent," calculates Milind Tamhane, RIL director (finance). "In fact, within the industry it is the only company over the last decade to have shown a consistent top and bottomline growth," says Sandeep Ghate, director, Securex Capital Markets.

The AC sheets industry was delicensed only in June 1997. Till then the industry comprised 12 players with an aggregate capacity of 11 lakh tonnes. Over the last decade, capacity had stagnated mainly because of licensing restrictions. "The leader in the industry is Hyderabad Industries which has a marketshare of 25 per cent. The number two slot is shared by Ramco, Eternit Everest and RIL with marketshares of between 17 to 18 per cent. The rest are small regional players," adds Suresh Motwani.

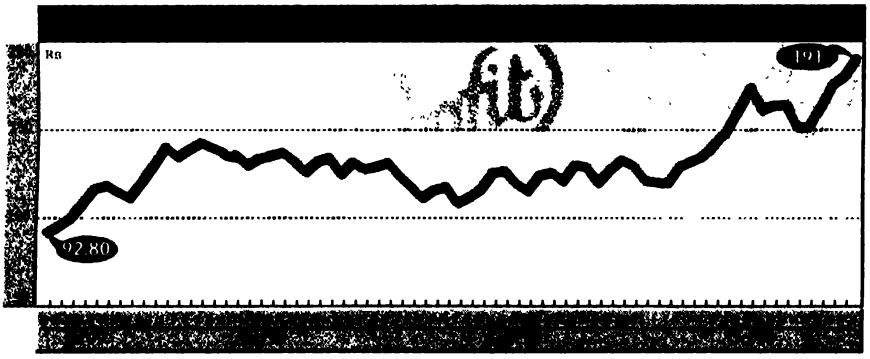
That's on the supply side. On the demand side, explains Tamhane: "It is directly related to the gross capital formation in the country especially in the industrial sector. The industry which witnessed rapid growth in production till 1990-91 (8.5 lakh tonnes) registered a decline until 1992-93 (6 lakh tonnes) due to a sharp fall in industrial construction activity. The reversal was witnessed the following year and in 1995-96, the demand for AC sheets once again picked up to 8.85 lakh tonnes (surpassing the earlier peak) representing a capacity utilisation of 84 per cent and a growth rate of 15 per cent for the next two years." But the performance has not been the same for all players.

What surprises most analysts is that over the past few years, despite the recession across industries, RIL in the AC sheets industry has continued to remain above its peers. "While our products go both into the industry (institutional sales) and the retail market, our competitors chose to sell in a 70:30 ratio. For us it was a conscious decision to have a reverse ratio. So we were more fortunate than our competitors and, while the institutional sales dipped, we were insulated. Again, in institutional sales due to tendering and other bulk discounts, the margins are lower than in retail sales," claims Suresh Motwani. Pointing to statistics, Kishore Motwani, director of the company, says: "In fact, last year, 70 per cent of our sales came from smaller dealers who pick up close to 10 tonnes (one truckload) a month. This is the kind of retail penetration."

Thanks to capacity constraints and good industrial growth, till a few years back AC sheets were mainly sold in the metros, towns and industrial sectors while the rural markets were largely untapped. Like its competitors, RIL too has come out with some innovative approaches to exploit the rural markets. "It is the fastest growing segment. RIL in 1997-98 alone has derived almost 15 to 20 per cent of its sales from this market. Through our 500 stockists and a 5,000-dealer network, we are taking on the western and the southern markets," says Kishore Motwani.

Apart from the domestic market, in order to grow, the Motwanis realise that they have to move on to overseas turf. Last year, RIL made a beginning and achieved sales of Rs3 crore mainly to the Middle East and Sri Lanka. "We have created a network and appointed over 45 stockists spread over Bahrain, Qatar, Sri Lanka, the Sultanate of Oman and the UAE. The current year (1999-2000) target for overseas shipments is at least 25 per cent of our turnover. We have already reached half way with an order worth Rs25 crore in our bag which will be executed in the coming months," says Vinod Motwani.

Given the expected boom in construction activities coupled with the scrapping of the 8 per cent excise duty, the outlook for the AC sheets industry is bright. "Consequent to delicensing and development of new products like flat sheets, colour sheets, ridges and other versatile designer products — curved sheets, semi-corrugated sheets and ribbed ceiling sheets with aesthetic properties — the industry prospects in the long term will further improve," says Suresh Motwani.

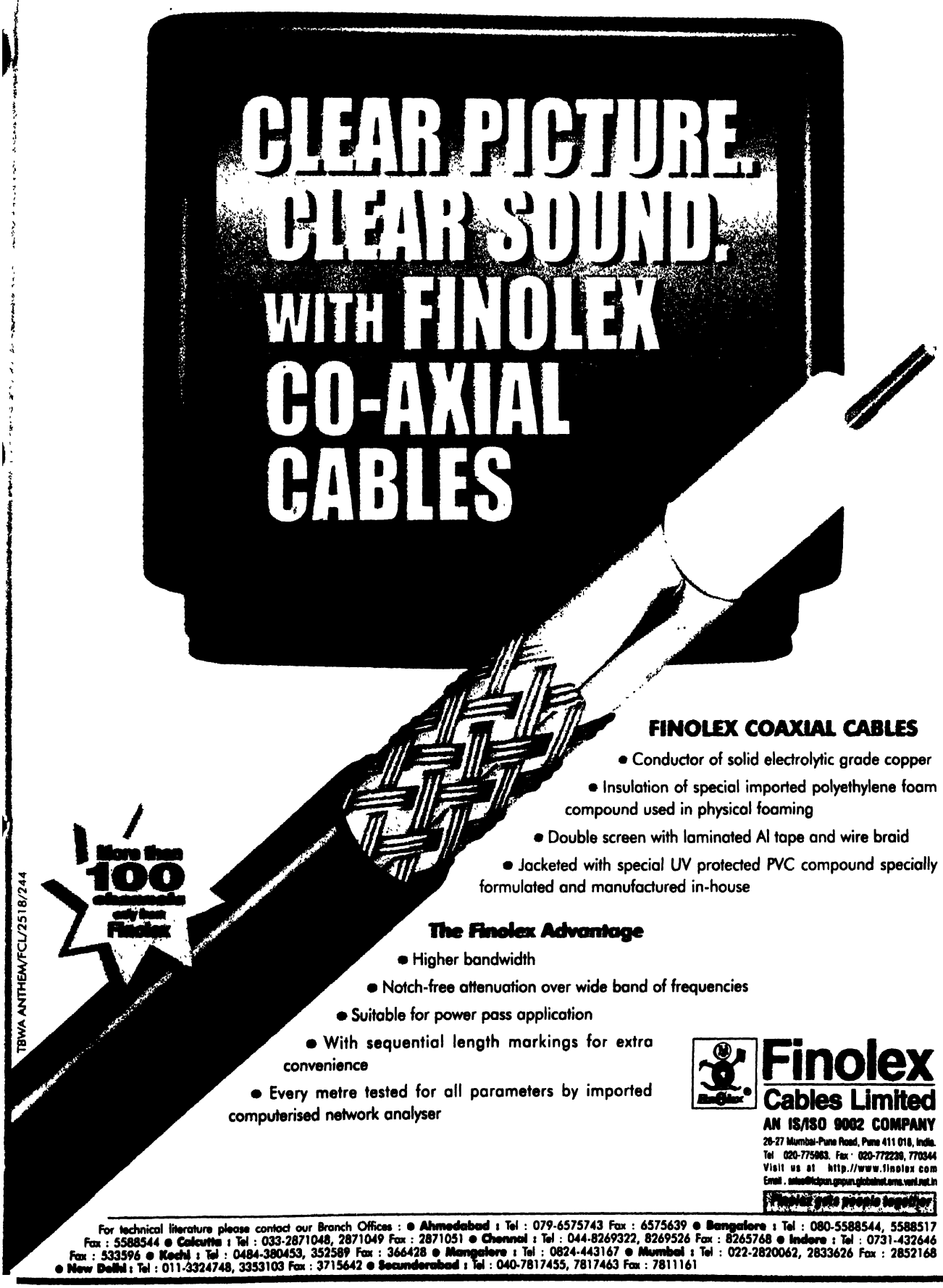


Meanwhile, the Motwanis have transferred the asbestos pipe division from Sun Earth Ceramics, another group company, to RIL. "This will add synergy and capacity to RIL. The acquisition will expand Roofit's share in the asbestos industry and impart versatility to the product profile of RIL," comments Suresh Motwani. With an expected profit after tax of around Rs40 crore for 1999-2000 he, for one, is comfortable with the roof he has built over his head.

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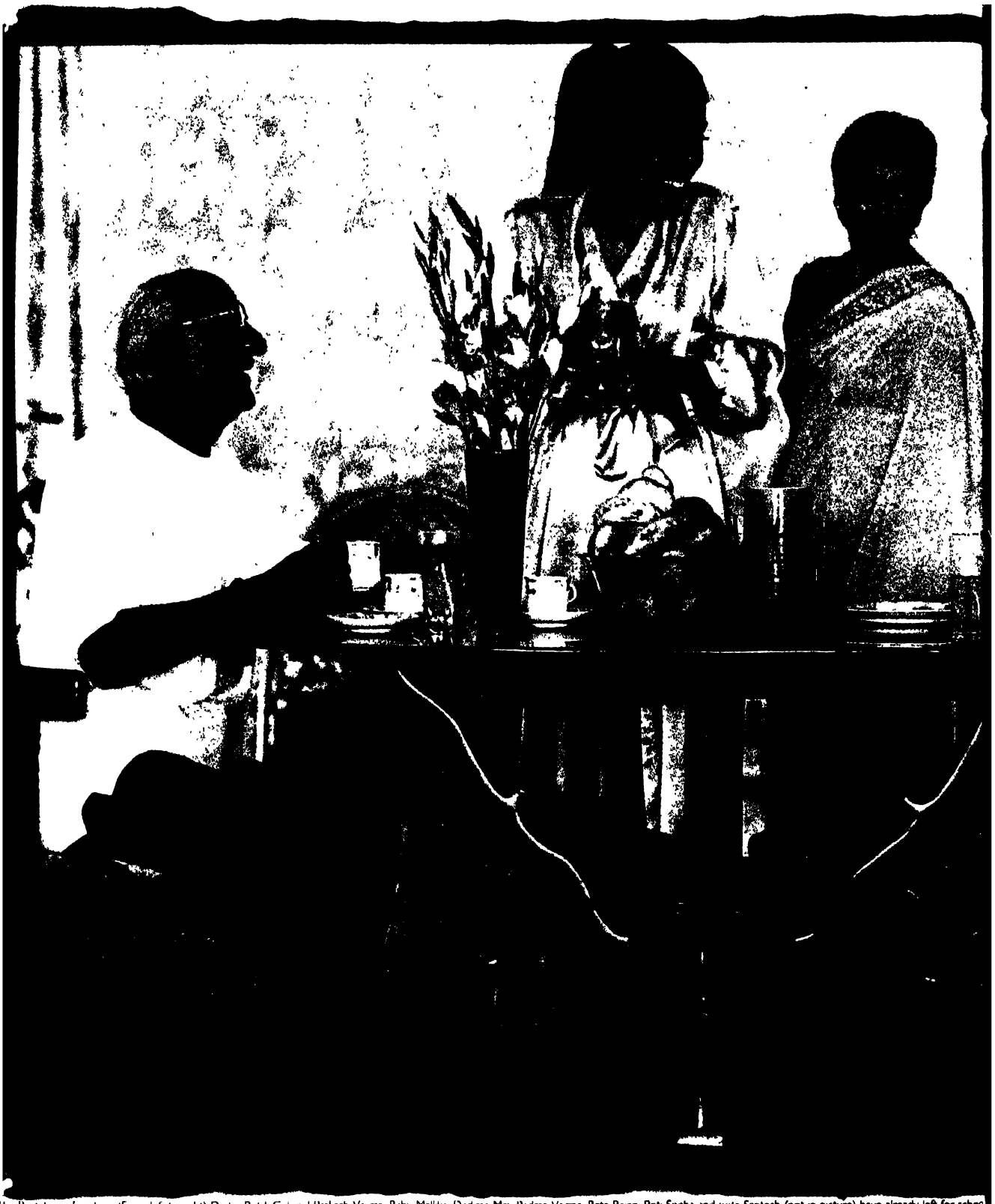
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The Pantaloons Family (From left to right) Dadaji Retd. Colonel Prakash Varma Bahu Mallika Dadima Mrs. Padma Varma Beta Rajan Poti Sneha and pota Santosh (not in picture) have already left for schoo

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Dadaji and Mallika enjoy pulling Rajan's leg about still being a kid. But Dadima simply loves it. Rajan, in her eyes, is the same boy who clung to her during thunder storms. For her, it is a sign that her son still needs her. Rajan knows how his mother feels. He always carries a handkerchief but never uses it when her warm *pallu* is around. Because for the Pantaloons Family, as it is for yours, life is all about lasting values. Values that never go out of style.

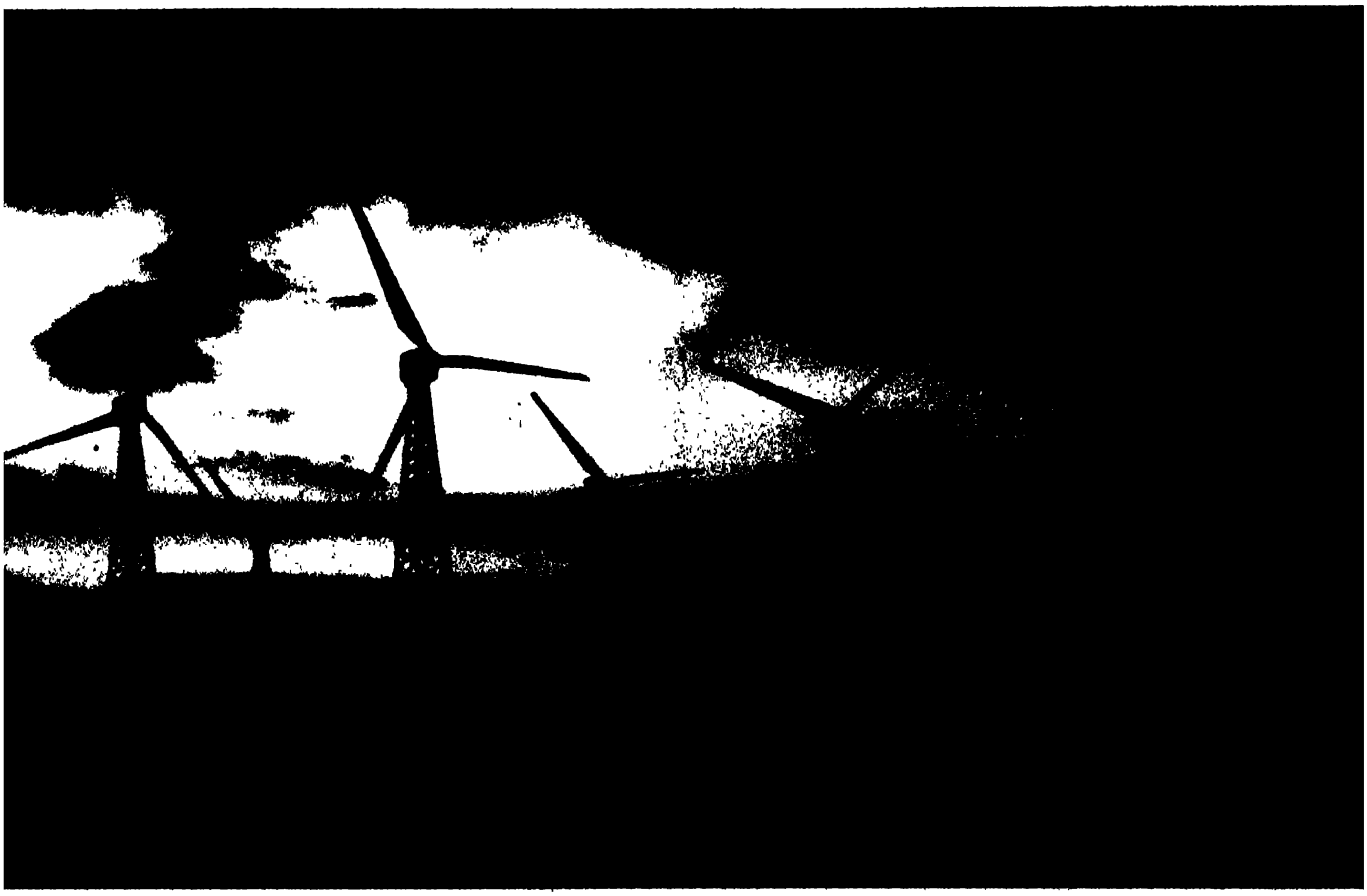
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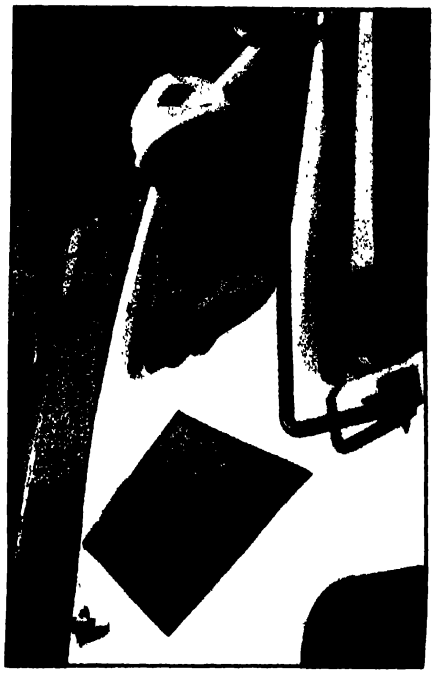
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A firm foundation

RMC Readymix has, within three years, firmed up its position in the readymix concrete market

The 55 flyovers that the recently ousted Sena-BJP stipulated to be built in Mumbai had a singular, unnoticed benefit — readymix concrete had to be used. There is a difference between the material used previously and the new product. The MSRDC flyovers have specified the use of high strength/performance concrete using micro silica or silica fume, which is especially useful in bridges, roads, buildings, etc. (Silica fume is the fine powder derived from processing quartz and iron to produce ferro-silicon metals). And RMC Readymix (India) Ltd, a 50:50 joint venture between Hathway Investments, the Rajan Raheja group company, and the £4.5 billion UK-based RMC Group plc, has been a leading supplier to these infrastructure projects, which have contributed to most of the company's growth.



PALASHRANJAN BHADMICK

Readymix concrete will become the norm, says David Gordon

RMC Readymix was set up in 1996, when property prices were at a high. In spite of the recessionary conditions that followed, the company has grown over a short period of three years. While the company reported a turnover of Rs60 lakh for its first year of operations (1997), for fiscal 1998 it reached a turnover of Rs10 crore. For the current year, RMC has reported a turnover of Rs30 crore. By next year, the company is projecting a turnover of Rs40 crore. An impressive growth in a relatively new market. An initial investment of Rs50 crore has been made towards the four plants — three in Mumbai and one in Chennai.

However, the going hasn't been easy. For one, there is a mental block to using readymix. "There is a perception that readymix concrete is more expensive. It isn't expensive," says Gordon. Another factor is that the site contractors are used to controlling the entire operations. Using readymix concrete requires a change in mindset — just pick up the telephone and the company will deliver the concrete at the site. According to a source at L&T, quality-wise the ready mixed product is better as it has been through continuous quality control.

In India, the introduction of readymix concrete is through the government sector — the use of readymix concrete has been stipulated for all the flyovers, bridges, infrastructural road projects that are coming up. Hence, over the last four years established construction companies such as ACC, Unitech, L&T and Godrej, to mention a few, have also set up their own readymix concrete plants. Today commercial readymix concrete is available in only three cities — Mumbai, Chennai and Bangalore. Mumbai alone accounts for nine readymix concrete plants.

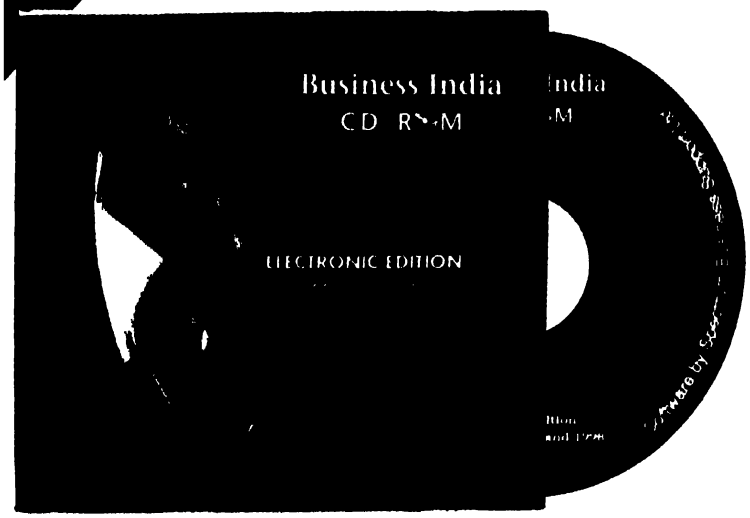
However, the market has yet to pick up. The four plants that the company has set up are far from operating at full capacity. "The capacity of the plants needs to be there, but the key in the business is how quickly your trucks get turned around," says Gordon. Typically a minimum number of trucks are required to service an area. For example, take Mumbai. RMC has 13 trucks that ply its three plants. The plants serve as distribution centres. Typically a plant is set up 20 km from the site that has to be serviced. The concrete mix is designed to suit the site it is going to. RMC has made its readymix suitable for Indian conditions. It has designed the product in such a way that it lasts for about three hours prior to setting. (Normally concrete takes about two hours to set). Once the concrete reaches the site, the truck mixers are spun up again before the concrete is discharged.

Gordon is not sitting pretty on just readymix concrete. The company has already introduced coloured concrete. Coloured concrete has already been used at the Khargar (Navi Mumbai) railway station platform. Another product RMC has introduced is fibre-reinforced concrete using polypropylene fibres prevents cracks from developing and making the concrete more durable," says Gordon. In fact, FRC has already been supplied to metropolitan railway projects and their workshops in Navi Mumbai. The product also has to be used in the upcoming Worli-Bandra link.

The flyovers have acted as a shop window for readymix concrete. But then it's not always going to be flyovers. Hence getting a share of the private sector is important. The company has already started supplying to housing construction companies such as the Rahejas, Hiranandani Construction, Kalpataru, to mention a few. In the private sector, Gordon plans to have an ideal basket where commercial projects contribute 50 per cent to revenues and the remaining comes from housing projects.

For the next year, RMC has targeted a turnover of Rs40 crore. By 2001, the company hopes to report a turnover of Rs60 crore. Gordon is also thinking of setting up one more plant at Mumbai, and in other metros. Future plans include introducing other products from the parent company's portfolio, such as pre-casting products, blocks and possibly aggregates. If all goes well, Gordon hopes readymix will become the norm.

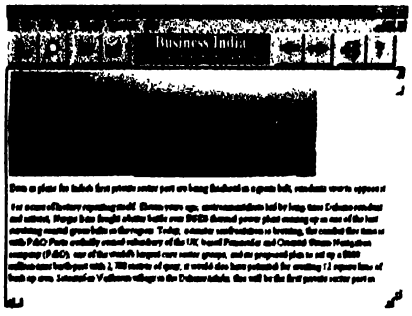
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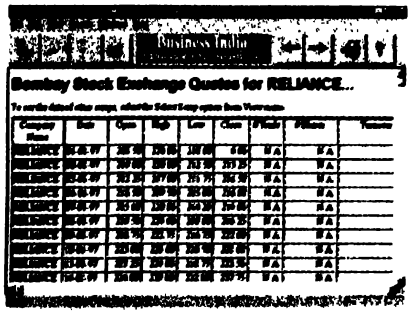
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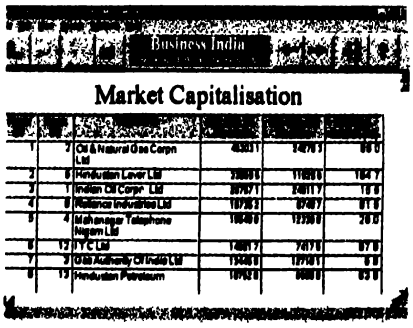
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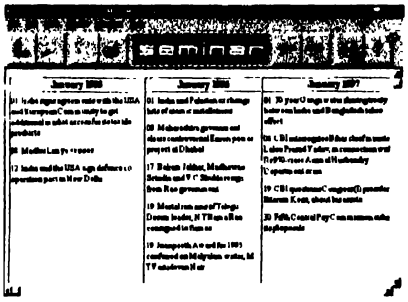
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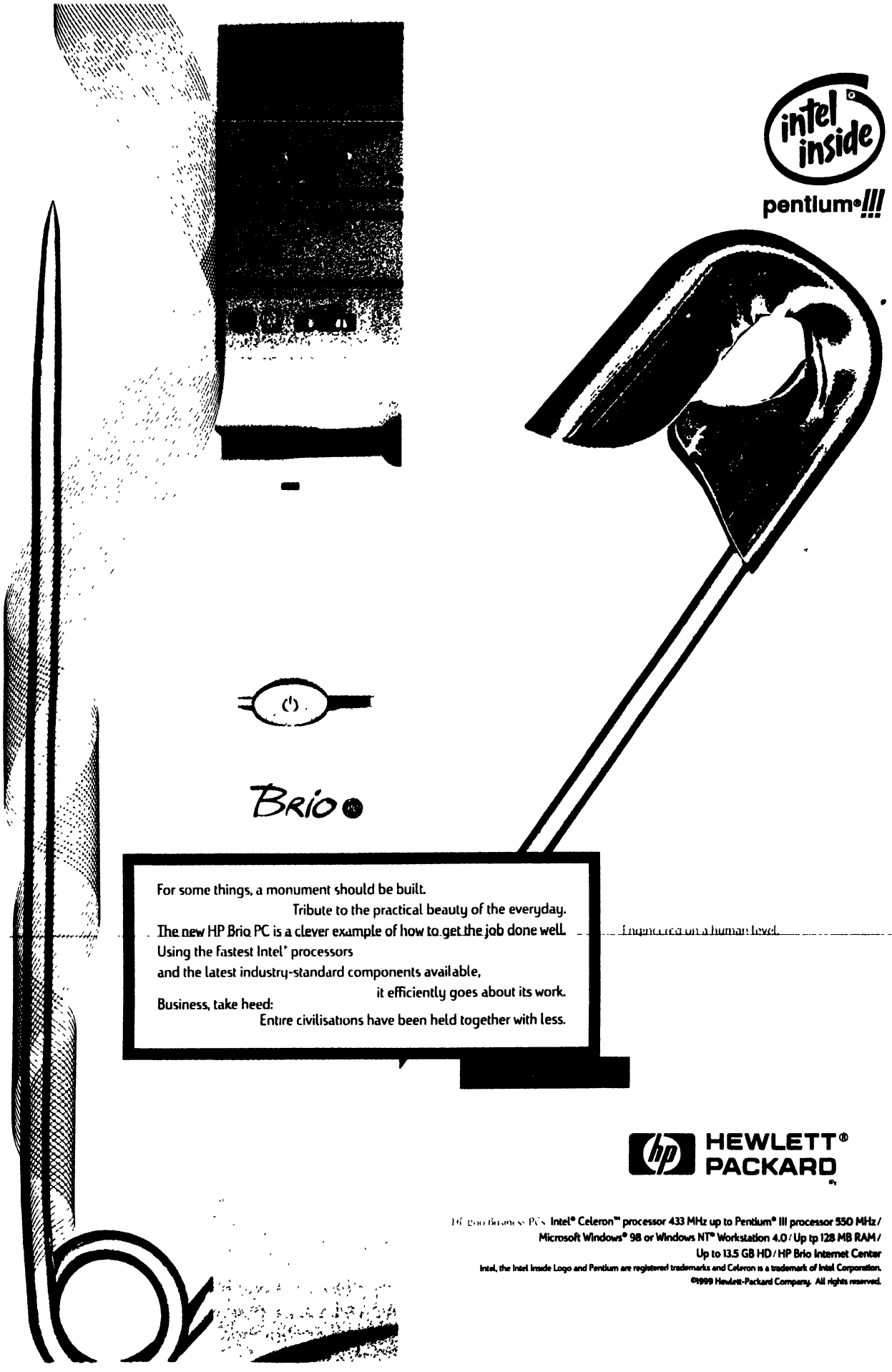
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Talking growth

Management consultancy firm, KSA Technopak, is aiming for bigger times

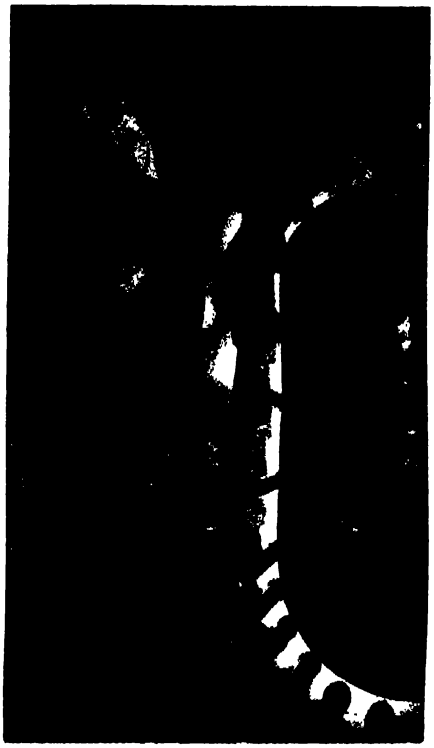
If wishes were horses, KSA Technopak would be a McKinsey today. The two management consulting firms did begin around the same time in India, in the early 1990s, just as liberalisation was breaking in the country. Subsequently, McKinsey decided to build on its global brand equity as a strategic consulting company, and Technopak set out to do what it knew best — talk textiles.

Today, with a four-storeyed new office space to boast of in the heart of south Delhi, the homegrown consulting firm (1999-2000 expected turnover: Rs10 crore) — in which US-headquartered Kurt Salmon Associates has 50 per cent equity — may not be anywhere near the one of world's largest consulting company but it has certainly carved a niche in the industries that it specialises in: textiles and retailing.

Among its impressive list of clients are DCM Benetton, KBSH, ITC, Shopper's Stop, Globus and Crossroads. Now, KSA Technopak is searching for fresh avenues of growth. Its aim: to touch at least Rs100 crore by end of the year 2005. On a small base, that's not unachievable. "The big growth will come from IT services," says KSA Technopak managing director Arvind Singhal.

His confidence stems from the fact that ever since KSA Technopak started dabbling in IT consultancy six months ago, the phone has never stopped ringing. It has already handled IT planning and applications for Shopper's Stop and Globus (a Rajan Raheja group retail venture). Some months ago, KSA Technopak also assisted the Piramals in Mumbai with IT selection for their departmental store, Piramyd. "Software companies don't necessarily know the retail business. We have an instant edge over them," says Singhal.

Singhal's plan is simple. A retail boom is round the corner, and that will spark off a huge demand for IT applications as retail giants bring some of the best international practices to India. KSA Technopak is positioning itself as a one-stop shop for all those companies that are planning to jump on the retail bandwagon: assist them in the start-up, and advise them on the selection of IT processes that can better their merchandise management and store operations.



VIVAIA

IT services will take KSA higher, feels Singhal

Singhal admits his team does not have a ready-made expertise in this field just yet. However, a CEO designate (the name was not revealed) will join the company on 15 October. Once the business begins to gain momentum, Singhal intends to spin it off into a separate company, and may even go public with it. "Singhal has always been good at spotting future growth areas. In that sense, he is a visionary," says Rajesh Binani. Binani was one of Singhal's first colleagues when he decided to strike out on his own in 1992.

Very early in his professional career, Singhal had understood one thing: that knowledge could be marketed, and some people were willing to pay for it. With that belief, he had given up his job as senior vice-president (marketing) at Modern Suitings to set up Technopak. Modern Suitings gave him a retainership with them for Rs25,000 per month. Then, he picked up DCM Benetton. The DCM account provided some credibility.

But, the real growth started flowing in one-and-a-half years later when he picked up the consultancy for KBSH's venture into men's suits with Marzotto of Italy. The project gave Technopak some critical mass. In 1993, Singhal approached KSA for a partnership, and began working with them on a case-by-case basis. Subsequently, the Marzotto connection also brought ITC as a client, and Singhal was given the task of advising them on a diversification into the textiles sector. "Watching our ability to manage the top brass of top-rung companies, KSA wanted equity stake in Technopak," recalls Singhal. KSA Technopak happened three years ago.

The KSA connection has brought Technopak to the take-off stage. Literally. KSA, which specialises globally in the consumer goods and retailing, has brought a whole new perspective to the business. Besides, it has exposed Technopak to new areas of growth; earlier, Technopak was focusing on apparel operational services and greenfield garment manufacturing projects alone.

KSA was instrumental in Technopak's foray into retailing in a big way. Then, it initiated Technopak's entry into the FMCG sector; and, now, IT consulting. Besides, the KSA tie-up is also attracting the best talent in the industry, by offering them an opportunity to work in KSA offices overseas, and on some of their overseas clients as well.

Now, Singhal has clearly set his sights on growth. For starters, he is furiously expanding his operations. On the anvil: offices in Mumbai and Bangalore. "I have some catching up to do. I am lagging by two years," says Singhal. McKinsey will be impressed.

• MAHASWETA GHOSH ROY

Hy grade upshift

An Essar Steel spinoff gets into gear with the imminent entry of Stemcor, UK, as a majority shareholder



PHOTOS SAJAL BOSE

Mehra, Stock, and Rao: in pursuit of the perfect pellet

Caught in the cleft stick of short-term debt and historically low steel prices, Essar Steel was pressured by the financial institutions to go in for a restructuring. The move started two years ago, with last-mile funding being held back as ransom. Faced with the prospect of perfectly viable projects becoming unprofitable or remaining incomplete, Essar tried to make the best of the bad situation. Essar Steel would have become a model steel project because of its modern technology and backward integration into power and pellets as well. After all, a steelmaker taking the non-blast-furnace direct-reduction route using electric arc furnaces has to have a cheap and assured supply of power. Similarly, since high-grade lumps (67 per cent iron content) are difficult to come by, it has become imperative to use pellets made out of iron ore fines as feedstock for the production of direct-reduced iron.

But today Essar has divested a controlling stake (51 per cent) in its 3.5-million-tonne (Mt) pelletisation project located in Visakhapatnam to British steel trading company Stemcor at a relatively low price. Stemcor will bring in Rs184 crore as equity and get control, while the project size is Rs1,677 crore. Stemcor representatives Ralph Oppenheimer and country GM Mathew Stock are expected to join the board of Hy Grade Steel at the next board meeting. As a majority shareholder, Stemcor will have the right to nominate its own managing director.

The $1.4-billion family-held steel trader, which was earlier called Steel Machinery Corporation, has had offices in India for over 35 years.

"India was always an important steel market and the management always had a sizable presence here with about $85 million of business here," says Stock. Stemcor decided to buy into Hy Grade because of the "unique opportunity" (read bargain price), he adds.

"The project was very attractive and, given the right circumstances, it would have become a major cash cow. However, due to financial constraints it could not be completed. We hope the new management will be able to bring it up to promise," says Essar Steel managing director Jatinder Mehra.

The pelletisation plant, built with technology from Lurgi GmbH of Germany, was commissioned in 1997 and started commercial production in 1998. Its raw material – iron ore fines – comes from Bailadila. The fines are ground to a powder and rolled into pellets of 1.2–1.5cm diameter using a binder and then baked. The alternative to pelletisation is grinding the fines and then sintering. But pellets are a must, since the sintered product does not have much strength and crumbles into powder very easily, thus choking the DRI furnace. Even blast furnace or Corex processes prefer to have pellets rather than sintered fines as inputs for the same reason.

Till recently the Vizag plant could produce only blast-furnace-grade pellets and not the more valuable DR-grade ones owing to the high silica content in the raw material. Hence the plant has been running at about 50 per cent capacity, producing 1.5 Mt during 1997–98 and 1.62 Mt during 1998–99. Essar Steel's Hazira plant requires DR-grade pellets as input for its sponge iron plant, and price realisation for DR-grade pellets is much higher in both the domestic and international markets (50¢ per unit of iron content for DR grade as against 46.5¢ for blast furnace grade). However, the fines from Bailadila do not contain the required iron content for direct conversion to pellets of the DR grade; they need to be 'beneficiated' – mining engineers' jargon for improving iron

content by removing the mud – through a process akin to what coal washeries do in collieries. Since the distance from Bailadila to Vizag was considerable, resulting in over Rs400 per tonne in freight, it was also natural to have a pipeline that would carry a slurry of beneficiated fines and water to the pellet plant.

Essar procured most of the equipment for the beneficiation plant and even most of the components for the 267 km pipeline, and needed about Rs600 crore to complete the project. But owing to the unfavourable maturity profile of its debt there were not enough internal accruals to complete the project and the FIs too refused to fund this last mile unless the pellet plant was separated from Essar Steel and a new equity partner brought in.

This has resulted in a foreign company walking away with the only plant capable of producing DR-grade pellets in this part of the world. In fact, the only sources serving the world market in this segment are in Brazil and Sweden. The entire market for DR-grade pellets in Indonesia, Malaysia, the Middle East, and north Africa is expected to see a supply shortfall of over 16.6 Mt by the year 2000 (*see table above*). For these countries the proximity of Vizag would have made Essar's product highly competitive compared to pellets shipped from Brazil (*see table below*). No wonder then that Stemcor grabbed the opportunity.

According to Hy Grade Pellets' joint MD B.R. Nahar, formerly CEO of Vikram Ispat, the FIs have valuated the project without the beneficiation plant and pipeline at Rs1,121 crore. The assets have been created with a capital of Rs488 crore from Essar Steel (Rs176 crore as equity and Rs312 crore as preference shares) and debt worth Rs633 crore. With the restructuring, Rs113 crore of Essar Steel's debt will stand transferred to the new company and Rs520 crore be released to Essar Steel, which will then use it to retire some of its debt. The FIs will also release Rs372 crore as additional debt to complete the pipeline as Stemcor brings in its equity. The infusion of funds will cover the cost of completion of the project and a captive 25MW powerplant at Vizag.

The pipeline is being planned with routing inputs from Bechtel and basic engineering from PSI Corporation of the US. Actual construction will start in January 2000 and the project should be complete by the third quarter of 2001. But, according to Nahar, the company isn't waiting till then to produce DR-grade pellets. Realising that that blast-furnace-grade pellets hardly yield any profit, the company seized a deal to import high-grade fines from Brazil at the same cost as those available from Bailadila, and has already started producing DR-grade pellets for domestic consumption and export. According to K.V. Rao, MD of Hy Grade Pellets, experiments at the Vizag plant with an organic binder and calcined coke have yielded good results even with Bailadila fines.

Essar Steel has a 20-year contract with Hy Grade Pellets ending in AD 2019 for the assured supply of pellets; hence, for Stemcor to make money from significant exports, the project needs to be expanded. In fact, it has just completed a detailed study on the cost (Rs700 crore) of adding another 3.5Mt pellet plant at the same site. That's a steal, compared to Rs1,677 crore spent on the first phase of the project. The attractive incremental cost is thanks to advanced planning by Essar, which has already designed the beneficiation plant and pipeline for a capacity of 8 Mt, besides the fact that there is no additional cost arising out of land and utilities. The National Mineral Development Corporation, which runs the Bailadila mines and supplies the fines, is also interested in taking a 5–10 per cent stake in Phase II. Essar sources say that once this phase achieves financial closure that part too can be completed more or less simultaneously with the commissioning of the pipeline.

Though obviously licking their wounds after going through a forced restructuring, Nahar says the primary concern of the group is to change the debt profile of the steel business. The divestment in pellets will lead to a reduction in the interest burden of Essar Steel by about Rs100 crore a year. That's the overriding concern at Essar House at the moment, as most of the debt incurred by Essar Steel has a maturity of only five years while the other late entrants into steel have been given loans with 12-year maturity. Divestment is a consequence of undue risk-taking by the promoters and myopia of the lenders.

◆ SUDIPT DUTTA and SHIVANAND KANAVI

Market scenario for DR grade pellets

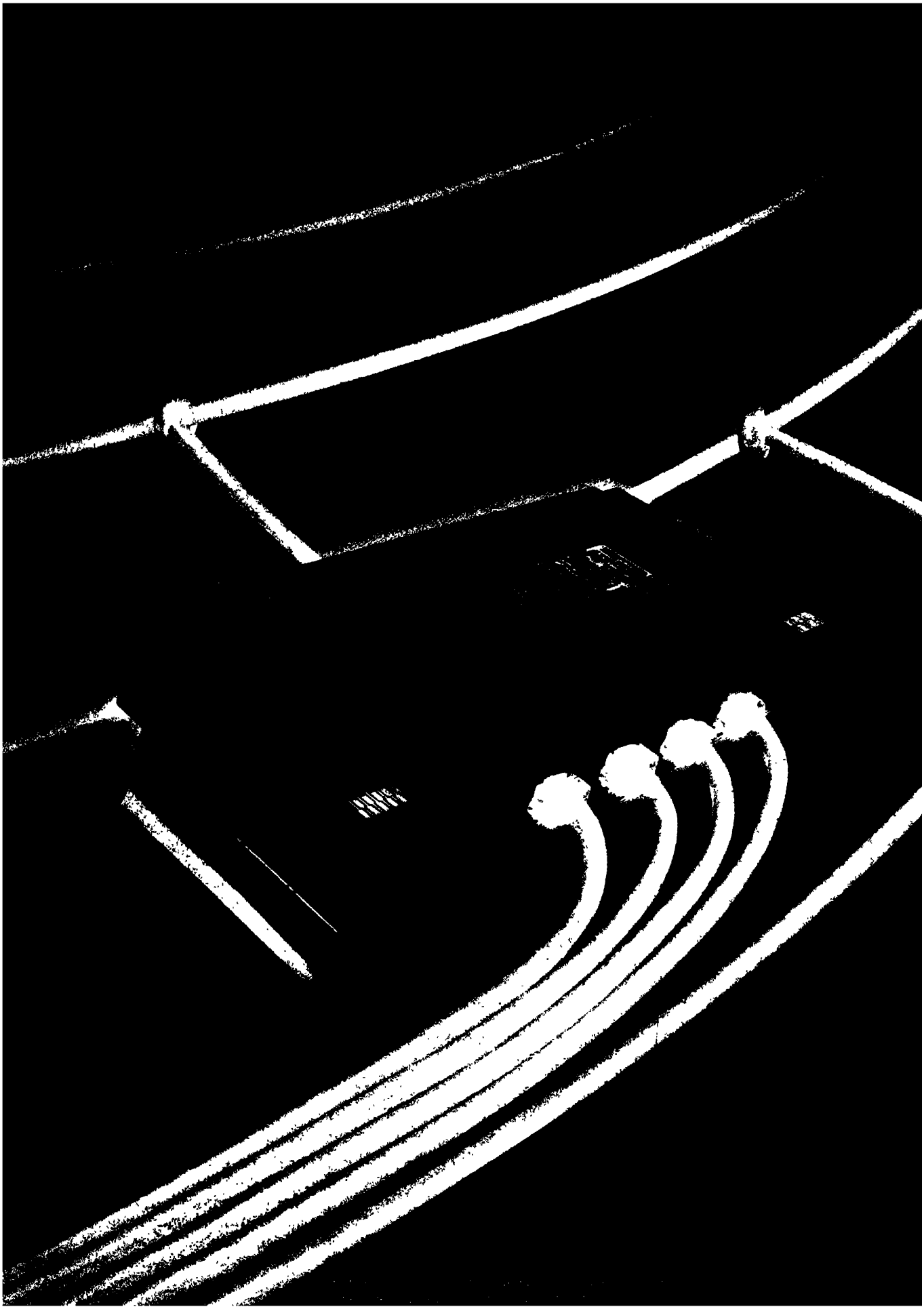
India	4.20	5.04	4.54
Southeast Asia	3.70	4.44	4.44
Middle East/N. Africa	8.55	10.26	6.26
Iran	5.30	6.36	1.36

Source. Hy Grade Pellets

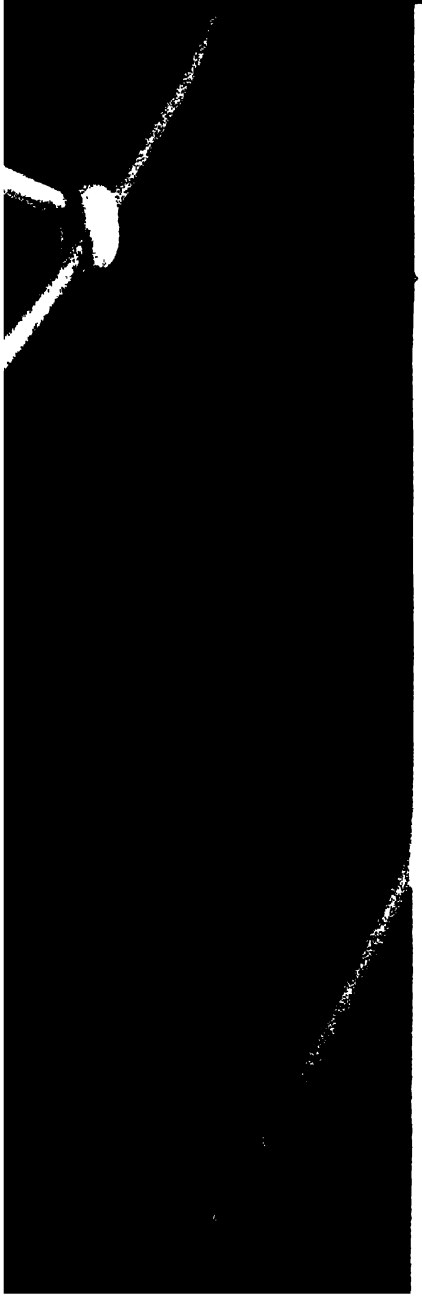
Shipping logistics

Malaysia	Amsteel	Labuan	2,600	9,500	8	31
Malaysia	Parwajah	Kelang	1,246	8,478	4	27
Indonesia	PTKrakatau	Cigading	2,078	8,342	6.5	27
Qatar	QASCO	Doha	2,947	7,852	10.5	25
Saudi Arabia	Hadeed	Hadeed	3,608	7,852	11.5	25
Egypt	ANSDK	Alexandria	4,454	5,747	14	18.5
Libya	LISCO	Misurata	4,500	5,123	14.5	18.5

Source: Hy Grade Pellets



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KAMESH GOYAL

The author is an insurance affairs specialist at management consultancy KPMG India

Spare IRA the ire

The IRA has an important job on hand, and it is important to encourage it in its endeavour

Of late, there has been much debate in the media over the powers of the Insurance Regulatory Authority (IRA). While one financial daily has praised the IRA, another has criticised its chairman for being a "bureaucratic megalomaniac".

The IRA's power to ensure "fit and proper management" in an insurance company and to change the management of companies has faced much criticism. But the insurance business is different from, say, manufacturing or trading. Over a period of time, insurance companies are in a position to mobilise huge amounts of money from policyholders. And if these companies are not run in a professional manner, the policyholders have more at stake than shareholders. For example, in LIC, the owner's equity capital is just Rs5 crore, while policy holders' funds exceed Rs1,25,000 crore.

The experience in the case of certain non-banking finance companies shows how promoters are more interested in creating wealth for themselves, sometimes at the cost of their depositors. It is also common that interests of small shareholders are sacrificed for the sake of the promoters. As per the proposed IRA Bill, the promoters have to reduce their stake from 100 per cent over a 10-year period. However, it is wrong to assume that shareholders will ensure "fit and proper management". We have seen in the NBFC fiasco how responsibility is passed from one regulatory body to another, leading to a situation where no one assumes responsibility. On the other hand, the IRA is willing to take responsibility, and it would be unfair to label it as power hungry.

The other issue the IRA has been mentioning is that there will be no capping of licences. This has been construed to suggest, quite misleadingly, that the only qualification needed for new entrants is Rs100 crore as capital. The requirement of minimum capital is just a pre-qualification. The real issue is the value the new entrant plans to add to the Indian insurance industry and the promoters' ability to manage an operation for the long term.

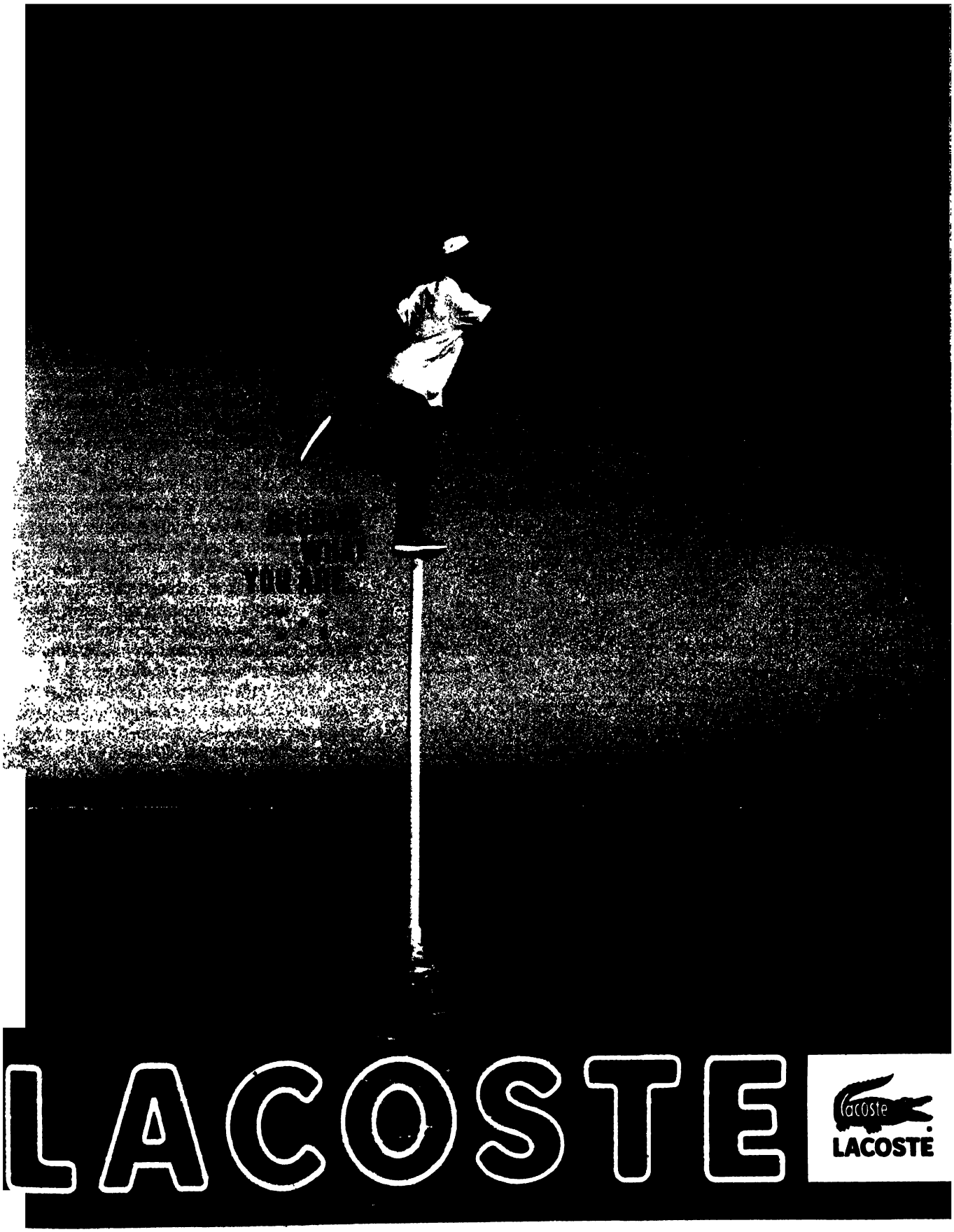
The IRA has also said that before introducing a product an insurance company should file it before IRA and justify the pricing. There is a good intention here. If an expert body reviews the product, the comfort level of policyholders would be high.

The regulatory authority has also been stressing on the training of agents. Financial products are quite complex and one depends on the opinion of the intermediary to select the right product. Even in the US, where awareness levels are fairly high, it has been noticed that agents sometimes sell products that are not suited to the customer's needs. Thus, in certain US states, the agent has to certify that the product is suited to the customer's needs. In India, the quality of most financial intermediaries is suspect and the issue of training agents can not be over-emphasised.

Another issue which needs closer examination is that of management expenses. At present, the management expenses (total of administrative and marketing expense) of LIC and GIC are around 21-22 and 25 per cent, respectively. It has been seen across countries that when the insurance sector is deregulated, the management expenses increase as the companies increase their marketing expenses to procure new business. In the case of insurance, these expenses are passed on to the customer. Hence, it is very important to cap these expenses. The fact that IRA has assured this would be done gives confidence. Also, in the case of life insurance, IRA should reduce the commission rates for the first year as the agents would otherwise be tempted to convince customers to surrender their existing policy for a new one.

In India, the awareness and penetration of insurance is extremely low. Thus, the role of the regulator is not restricted to supervision alone, but extends to ensure an orderly development of the insurance sector in the country. The Parliamentary committee, which scrutinised the IRA Bill, has rightly renamed the Bill as the 'Insurance Regulatory and Development Authority Bill'. It is also for the first time that the setting up of a regulatory authority has preceded deregulation of a sector. The IRA has had substantial time, during which it has interacted with existing players, future entrants, consultants and other professionals.

We are on the verge of a momentous event when the insurance sector would be opened for competition. The benefits of competition should reach the customer and the funds mobilised should reach the right sectors of the economy. The challenges before IRA are enormous; let us help it for the benefit of our country. ◆



AGRA: Fatehabad Road. BANGALORE: Commercial Street Entrance, ffolio, KGA Golf Course. CALCUTTA: Shakespeare Sarani. CHANDIGARH: Sector-17 C. CHENNAI: Nungambakkam High Road, Pondy Bazaar. COCHIN: The Esplanade. GOA: Heritage Village Club, Ida Maria Resort-Calangute, M.G. Road-Panjim HYDERABAD: Banjara Hills. JAIPUR: M.I. Road. MUMBAI: Colaba Causeway, Crossroads, Linking Road, The Oberoi Shopping Arcade, Vama. NEEMRANA: Neemrana Fort Palace. NEW DELHI: Ansal Plaza, Connaught Place, GK-1, Hyatt Regency, Karol Bagh, Radisson, Santushti, South Extn.-1. PONDICHERRY: J.N. Street. PUNE: Bund Garden Road. SURAT: Holiday Inn.

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MUKUL K GUPTA

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The art of cross-selling

Financial institutions which do not learn to sell more products to existing customers will find themselves at the bottom of the ladder

I have a housing loan from a leading bank operating in India for the past three years and have also kept a long term deposit with the same bank. I would think that the bank would consider me to be an important retail customer and try and cross-sell their other products to me e.g. auto loan, credit cards, etc. However, this has not happened. This practice seems quite illogical, especially when several studies have proved that the cost of acquisition of a new customer is at least 5-6 times more expensive than selling to an existing customer.

Due to lack of competition and hefty spreads earned by the financial institutions, their performance till now was not very dependent upon their selling capabilities. However, with new trends in the financial industry, the two most important being competition and convergence, the very existence of the financial institutions may depend upon their selling capabilities. Having realised the importance of selling, why not start with selling more to the existing customers? Why not treat each of your valued customer as a 'market' and try and sell all your products to him?

The key here, of course, is to identify customers which the financial institution considers as valuable. For this, customers need to be grouped in different segments based on their buying/spending abilities. One of the key drivers to cross-selling is going to be the trend of convergence of financial services, especially in the personal financial services (PFS) market. In this market, not in the unforeseen future, financial institutions in India will be providing not only retail banking products but also insurance and mutual fund products, under one roof.

With this advent of a one-stop shop in financial services, cross-selling is going to be extremely important in getting the maximum wallet share of the customer. Internationally the trend of convergence has already paved the way for mergers of institutions providing different financial products. An example is Citibank's merger with the Travelers group, which happened last year. Cross-selling can also help in increasing the value of the customer to the financial institution.

Various studies have indicated that in the retail financial sector about 150 per cent of the profits come from around 20 per cent of the total customer base, whereas at the lower end 20 per cent of the customers generate 80 per cent of the losses, and the majority of the customers i.e. 50-60 per cent range from mildly profitable to break even to unprofitable. It has also been researched that most of the customers which fall in the top category buy more than 2-3 financial products from the same institution. Cross-selling can thus assist in migrating customers from the unprofitable segment to the profitable segment or at least make them less unprofitable to the institution.

For cross-selling to become effective, financial institutions need to resolve certain internal issues and create certain business models which are conducive to the same. Cross-selling needs to become a part of the corporate culture, incentives to cross-sell need to be built in the compensation programme of key personnel, organisation structures which support cross-selling need to be developed. Cross-selling, however, requires more than this, as to a large extent it depends upon the customer relationship manager or the sales personnel having the relevant information about the clients they are likely to entice, and that's a technology issue.

Banks and other financial institutions know a lot about their customers. They have both static data such as information from a car loan application and dynamic data, for example, transaction spending patterns on credit cards. However, the bad news is that this information typically belongs to different business owners within the organisation and is stored in legacy systems which usually do not communicate with each other. These islands of data need to be plugged in and customer data be structured in a way that institutions can use it. The task is to harness the knowledge they have about the customers, convert it into an attractive offering and manage the relationships.

In India, cross-selling is a relatively new concept in the financial sector and the existing institutions need to quickly make organisational and technological changes to push this activity, especially as the newer entrants have an advantage over them, not carrying with them the baggage of legacy structures and systems. •

Banking on the bourses

Banks would stand to gain much from financing *badla* deals. Will the RBI permit it?

Should the Reserve Bank of India permit banks to invest in the modified carry forward system (MCFC) of the Mumbai Stock Exchange, popularly known as *badla* financing? This question has not only generated much debate among brokers but is also widely discussed in banking corridors. *Badla* financing is perhaps as old as the Indian stockmarket. But it was reintroduced in its new *avatar* as MCFC in May 1997 after the Securities and Exchange Board of India gave its approval.

The bourse is luring the banks for many reasons. For one, *vyaj badla* or interest paid on the carrying forward of trade from one settlement to another, in the A group, offers returns far higher than any of the debt and money market instruments. The weighted average return is in the region of 18-24 per cent per annum. Secondly, it is the most liquid short-term instrument offering exit options both to the lender as well as borrower every week. The scope for banks is clear from the fact that net outstanding carry-forward positions at the BSE have shot up from Rs69 crore in May 1997 to over Rs3,500 crore last fortnight.

The USP of the instrument, however, is that *vyaj badla* transactions are backed by the securities which are held by the exchange authorities on behalf of the lenders, say market punters. Presently, the financiers of *vyaj badla* are high-net-worth individuals, corporates, NBFCs, and brokers through their group connections. Given the above benefits of *vyaj badla*, is the RBI justified in barring banks from financing it? Especially at a time when banks are desperately seeking avenues to lend and reduce their non-performing assets?

The advantages of MCFC are many. In the absence of derivatives and a hedging mechanism in the Indian stockmarkets, MCFC serves as a quasi-hedging mechanism. It is also a stock-lending mechanism, and an investor can buy stocks without paying full consideration provided he gets funds from the *badla* financier at a mutually agreeable rate.



PALASHRANJAN BHAUMICK

MCFC is a completely hedged transaction, eliminating market and price risk, says Kaji

Explains Hemanshu Kaji, BSE broker of Kaji & Maulik: "MCFC is a completely hedged transaction, thus completely eliminating market and price risk. The investor is not affected even if the prices of the stocks against which he has lent move up or go down. MCFC is akin to repos transactions made by banks against gilts where the amount that is lent and the reversal of the transaction is determined when the deal is executed and the difference is the interest amount." Moreover, there is no risk from price movements as the funding is done at a rate fixed by the exchange and the money is returned at the original market price and not at the prevailing market price. Besides, there is no counter-party risk since under the MCFC the BSE guarantees settlement. Even if the broker defaults, the exchange steps in to honour the financial settlement of the MCFC deal.

However, there are those who question the very *raison d'etre* of *badla*. Diptesh Shah, head of investment banking, Global Trust Bank, says, "Is there a need for *badla* today? *Badla* was the result of an unregulated market scenario. It was a wonderful mechanism to bridge the demand-supply gap in the stockmarkets. Today, the markets are thoroughly regulated and transparent with risk containment measures in place. The players are increasingly becoming professional and opting for corporatisation. It makes more sense for banks to lend to the brokers instead." Says Shah further, "Commercial banks do not have expertise in *badla* financing. In MCFC, the bank does not have collateral in its possession. The trade guarantee fund is still untested in the safety aspect."

Banks do lend to brokers. The funds are, however, lent for short durations, i.e., in the form of temporary overdrafts which are reviewed every 2-4



Investment options for banks

Instrument	Tenure	Yield (%)	Security	Liquidity
Call-money	1-day	8-30	Unsecured	High
T-bills	14-364 days	8-10.5	Most secured	High
G-Secs	1yr to 20 yrs	10.5-12	Most secured	High
CDs	90 days to yr	9.5	Moderate Security	Moderate
CPs	90 to 1 yr	10-11	Unsecured	Moderate
Bill discounting	30 to 120 days	9.5-10	Secured	Low
ICD	3 days to 1yr	10	Unsecured	Low
Preference share	12 mths & above	12	Unsecured	Low
Debentures	12 mths & above	13	Secured	Low
Loans & Adv	Demand	12.5-17	Moderate security	No exit
Badla financing	7 days	20	Secured	High

days. "Banks have not graduated to funding brokers on a long-term basis. It's either transactions based (for 5-7 days) or settlement based, that too for net positions and not gross ones. The nature of brokering business is that past performance is no guarantee for the future. This process is far simpler and better than participating in *badla* financing. For one, he can monitor his client and also have collateral marked-to-market practically on a daily basis," adds Shah.

Shah is of the opinion that MCFC is not as safe as the market players portray it to be. The most important element in the MCFC is the solvency of the broker through which funds are invested or lent. If the broker defaults then the investors are forced to become owners of the shares. Hence, though the trade guarantee fund guarantees the collateral for the investor, the latter is still exposed to the price-risk factor, as he would have to sell off the shares, which are standing in his name in the clearing house of the exchange. Further, these shares, in the duration they are in the clearing house, can become tainted. This happened during the infamous securities scam in 1992. The entire process of getting the stocks untainted could take over 2-3 years.

Says a foreign banker who wished to remain anonymous, "Currently the marked-to-market valuation of the collateral is done on a daily basis by the exchange and the investor gets the value at the end of the settlement. However, only if the BSE is able to give the benefit of marked-to-market valuation on a daily basis and also the control of the collateral to the lender, will bank consider lending in MCFC."

Banks' fears

Argues Kaji, "Banks do have reservations which are: what if the broker fails to deliver? But will the same logic not be applicable when they lend him money? If the broker fails, the exchange steps in to honour the MCFC trade. The investor is not covered only if the broker goes bust and has not reported the MCFC deal to the exchange. That's very rare and has not happened since the trade guarantee fund was set up in May 1997. Besides, it's very easy to know the bonafides of the transactions from the contract note issued by brokers."

"BSE has its own checks and on-line supervision to keep a tab on broker exposure. For instance, no broker, irrespective of the capacity to pay margin, can carry forward transactions beyond Rs20 crore per settlement and Rs4 crore per scrip. Similarly, he cannot have a gross exposure of more than Rs50 crore at any point of time and Rs6 crore per scrip within the settlement (other than institutional and FII transactions)," informs a senior BSE official. Besides, the on-line real-time monitoring of trade and settlement in the exchange is stringent in margin imposition and collection. It collects a daily margin of 10-15 per cent, on gross for both purchase and sales, which is collected in cash for carrying-forward. It also periodically imposes volatility margins in the region of 5-20 per cent. "Against carry-forward outstanding of Rs3,250 crore on 22 October the exchange collected margins amounting to Rs1,279 crore. Of this, Rs713 crore was towards carry-forward trades, which is 15 per cent on either side of the transaction," the official informs.

Parag Dalvi, assistant vice-president with Pranav Securities, offers a probable reason why the RBI is not permitting banks to lend in MCFC. Says Dalvi, "One possible danger is that if banks are permitted to lend in MCFC, money will flow in huge tranches and chances are that these funds could be used by a segment of market players to prop up the markets. This could lead not only to overheating of the markets but also the economy." Currently, the RBI's interest rate signal does not have the same strength and ability to move funds from one market to another as in the US. The US Fed chief, Alan Greenspan, has been increasing interest rates as he fears the markets are getting overheated. His moves are yielding the desired results. Hence, till such time that RBI's monetary control devices are not strong enough, it may not be keen to integrate the banking and capital markets.

Kaji cites the example of dematerialisation of stocks which encountered initial resistance from various sections of the market. But it has proved to be a huge success because of proactive support from the regulators. If MCFS gets similar support from the RBI, not only will the liquidity in the capital markets improve but it could provide banks a good opportunity to invest short-term money, Kaji adds. Besides, the present high *badla* rates will also converge and align with other interest rates prevailing in the inter-bank money market.

The regulation and control of an integrated market is a critical issue for the apex bank. Till the central bank resolves this issue, it is unlikely to allow banks to put money into the capital markets.

• ROHIT RAO

Better self-regulated than sorry

Fimmda is working hard at setting common standards for the money and derivatives market

In May 1998, after several unsuccessful attempts, banks and primary dealers finally formed an autonomous, self-regulatory organisation (SRO) for the money and securities market trading. The aim: to promote a liquid debt and derivatives market and set common standards. Christened the Fixed Income Money Market and Derivatives Association of India (Fimmda), the SRO is akin to the Foreign Exchange Dealers' Association of India (Fedai), which was set up to frame guidelines and impart depth to the forex markets.



UMESH GOSWAMI

Ratnam and Sethi have laid out a busy agenda for Fimmda

Launched at the initiative of a clutch of foreign banks – ANZ Grindlays bank, Deutsche Bank, Bank of America and ABN Amro – Fimmda is the third attempt at setting up an a SRO. In the late 1980s, a few nationalised banks in Mumbai had set up an informal body called the Money Market Dealers' Association. "It became defunct after the securities scam broke out in 1992. Dealers began viewing each other with suspicion," says a nationalised bank treasury official. The second attempt in 1996, the Bond Dealer's Association, never really took off.

Says Arvind Sethi, managing director (global markets group – India) of Bank of America, and chairman of Fimmda, "Since January 1997, a few foreign banks met religiously every Thursday evening to draw up a framework for a money market SRO. It was tough to convince bankers, as they perceived it to be an association of foreign banks. Later, with the involvement of the State Bank of India, there was good response from all banks."

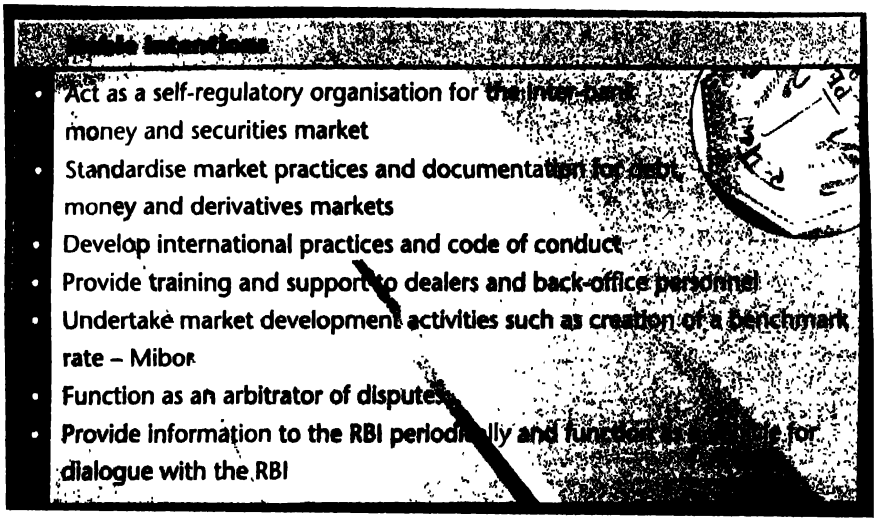
Fimmda was incorporated on 4 May 1998 under Section 25 of the Indian Companies Act and the membership is confined only to banks, financial institutions and primary dealers. At present, it has 50 members in its books. The association is based on the lines of the Zurich-based International Securities Dealers Association (Isda) and the US-based International Securities Management Association (Isma).

And Fimmda seems determined to provide more than mere lip-service, getting down to serious business right from the beginning. In its first year of formation, the association set up four task forces to tackle issues on primary markets (debt), introducing new money market products, introducing standard market practices and for issues concerning arbitration and settlement in the secondary markets. Last fortnight, the association came out with the first set of standardised practices to be adopted by market participants.

Fimmda chairman Sethi informs that by early next year the SRO will come out with a separate paper on arbitration procedure for resolving disputes between market participants. Among other issues, Fimmda is painstakingly working at developing the term-money market – which is clearly missing in the Indian markets – and also the much wanted Mibor rates.

But why have another association? Especially when there are other existing associations — the Fedai, of which every authorised forex dealer has to be a member, and the Indian Banks Association (IBA), which is the umbrella organisation encompassing practically every scheduled bank. Besides, there is also the Primary Dealers Association. "IBA has no role to play in the debt markets, while Fedai is restricted to forex markets and the PDA is confined to primary dealers. There was no SRO to represent the inter-bank money and securities market. Till Fimmda was formed, this market was virtually ignored," explains B. Ratnam, Fimmda's chief executive officer. Further, there is no clear definition on the role of each player in the inter-bank money market, he adds.

Remember the infamous securities



scam of the early 1990s when every rule in the book was tossed aside in the inter-bank call money market? Well, ask any banker – especially the treasury officials – and they will do their best to evade any discussion on the topic. The scam helped inter-bank call-money market dealers earn disrepute as they came to be perceived as a bunch of high-school boys who disregarded rules and regulations. And it didn't end there. Even some of the money market instruments such as the ready-forward or repo deals got a bad name so much so that for over two years, between 1992 and early 1995, there were hardly any inter-bank transactions. Even today, ready forward is a shunned word in the banking sector, bankers as well the regulators prefer to use the word repos instead.

In the shadow of the scam

"In fact, the absence of standard practices was one of the main reasons behind the 1992 scam. In 1991-92, banks were caught between brokers and counter-party transactions. Brokers were acting as counter-party agents. The lack of a code of conduct and established guidelines led to the scam," says a nationalised bank treasury official. There are plenty of examples of what happens in the absence of clear guidelines. In 1994 and 1995, some foreign banks defaulted on their cash reserve ratio (CRR) requirements as a result of call money rates zooming to dizzy heights. In 1995, an American bank was reluctant to honour its call-money repayments to a south-based nationalised bank because of intervening holidays, as a result of which the lender nearly defaulted in maintaining its CRR requirements. What saved the nationalised bank from defaulting was the frantic calls to RBI officials to convince them the impending default was not its fault.

"Even today, this is one grey area that needs to be tackled and there are no clear guidelines available. Fimmda is trying to bring out guidelines like the one that is in place in the forex markets," informs Sethi.

Says C. Chandrasekhar, assistant general manager at Bank of India, "The RBI is gradually distancing itself from the role of a regulator and would like to keep the regulations to a minimum, provided the markets mature and market participants become self-disciplined. This is how the Big Bang has been achieved in the developed economies, where vigilant and proactive associations like Isma and Isda have reduced the workload on central banks. Fimmda is aiming precisely at that in India."

Could the securities scam have been averted had Fimmda been around in the early 1990s? "Not only members of an SRO, but all market participants have to adhere to the standard market practices that are put in place. Hence, the confusion of repayments and charging interest rates in case of sudden holidays, as it happened in the past, may not happen. But then the securities scam is altogether another issue. It happened because of a highly regulated interest rate scenario coupled with a few players violating the system to their advantage. Hence, an SRO like Fimmda is not a guarantee for fraud prevention. But yes, had Fimmda been around, then any abnormally high transactions and high interest rates would have been possibly detected far early, which in turn could have perhaps helped an early detection," says Sethi. But the long-drawn litigation could have been resolved far quicker if an SRO existed and its consultations sought, he adds.

"Hence, our objective is to be an SRO and have voluntary membership, not imposed by the regulators. Any market can have high ethical standards and standard market practices only when the participants strive for it and that is possible only when membership is not imposed on them," Sethi explains.

Meanwhile, the RBI seems quite pleased by Fimmda's efforts and has taken the association quite seriously. Says Sethi, "The RBI considered our suggestion to change the draft of the circular dated 7 July 1999 on interest rate swaps guidelines to permit the possibility of a choice of not restricting to Indian law. This was suggested as there is no precedence in Indian Contracts Act in the area of interest rate swaps." Usha Thorat, RBI's chief general manager (internal debt management cell) said at a recent forum that Fimmda has also been asked to help develop a standardised repos agreement for the money markets.

SROs have been successful abroad, but the experience in India is that they do not take off until the regulators bless them. Although Fedai came into being 30 years ago, its membership was confined to just 13 foreign banks till RBI made it mandatory for all authorised forex dealers to become members. If the RBI, as seen from the Fedai experience, feels that Fimmda will take the Indian money and securities market to internationally acceptable standards, then it is time it gave a formal blessing.

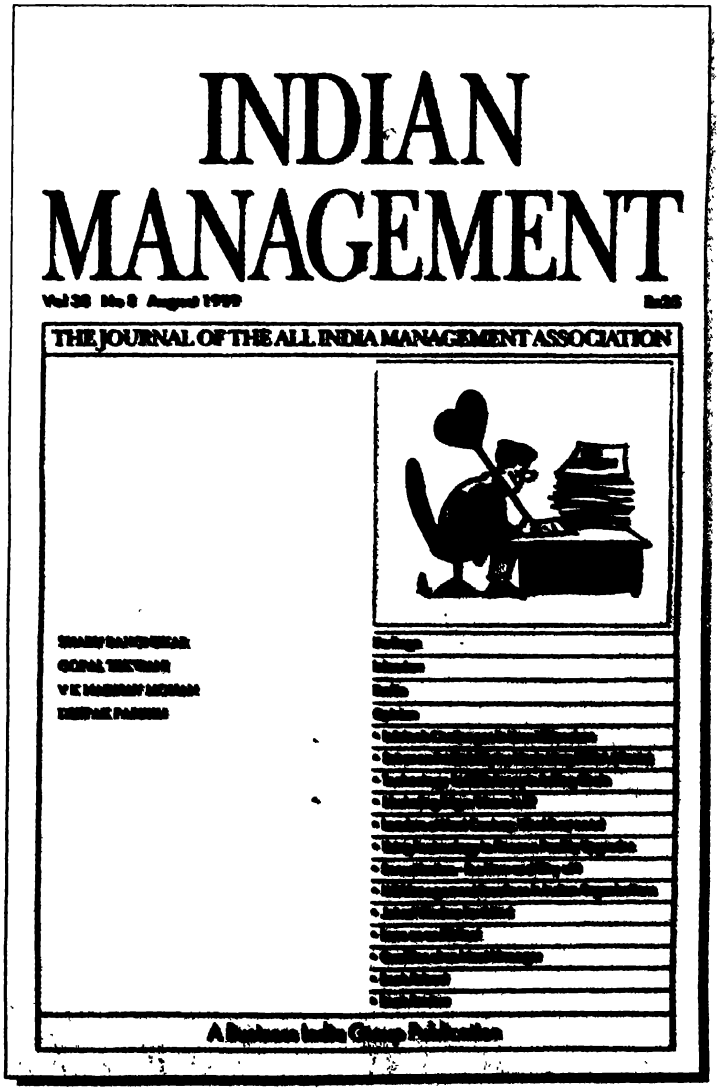
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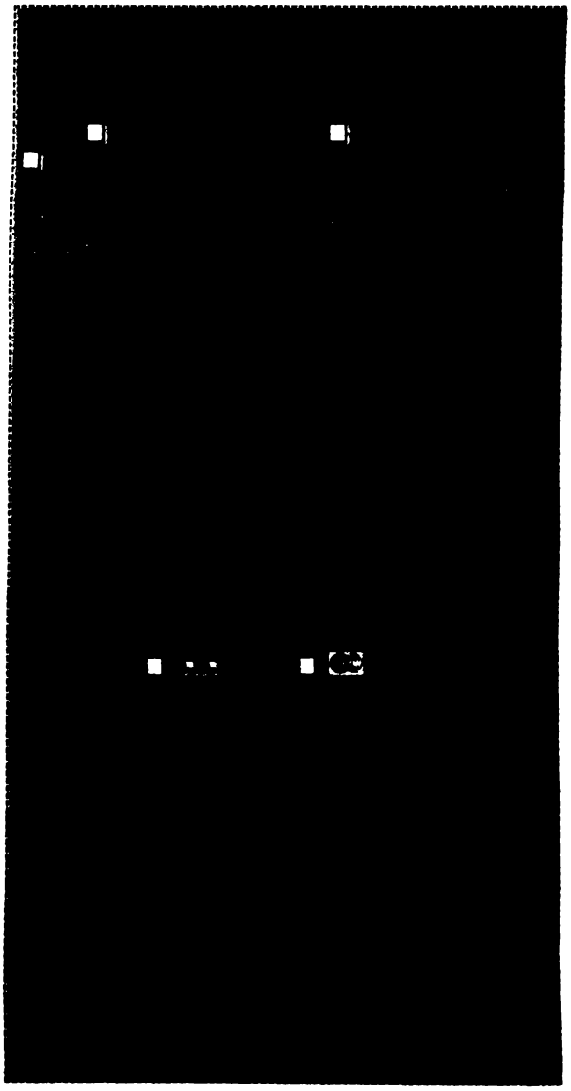
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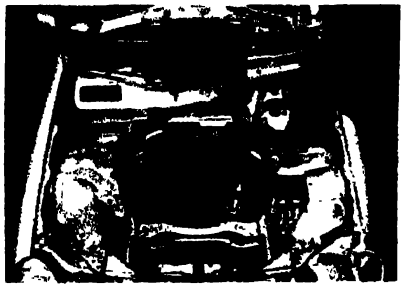
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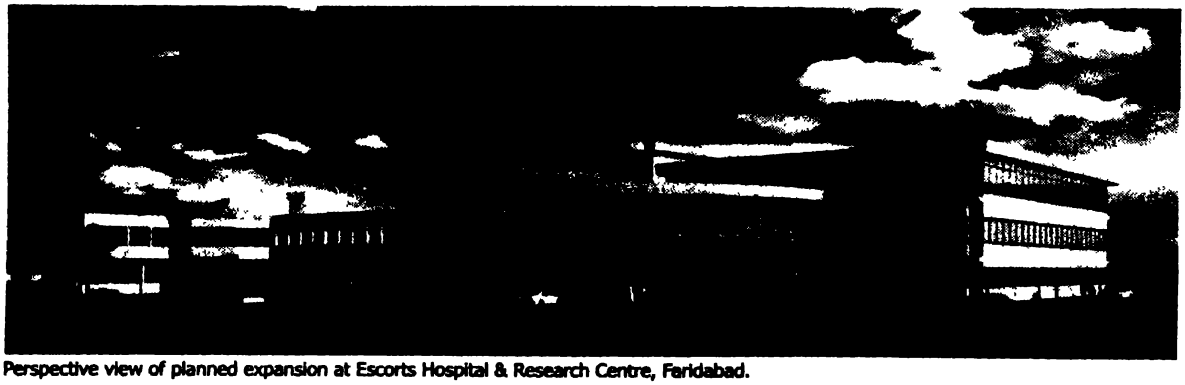
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Balancing act

Jalan accommodates the government's anticipated additional borrowings and ensures funds for the commercial sector

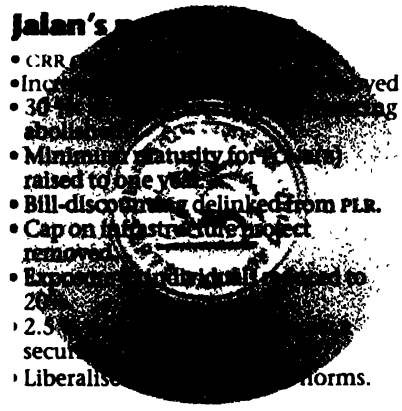
The choices were tough for the Reserve Bank of India, governor, Bimal Jalan, while reviewing the mid-term monetary and credit policy on 29 October. On the one hand, he had to keep up the good work that he initiated last April of ensuring funds to stage the industrial recovery. Jalan, to an extent, succeeded in this task. Industry grew by 6 per cent in the first five months this fiscal against 4.8 per cent last year. On the other hand, he has to tackle the anticipated additional government borrowings (Kargil and other fiscal slippages) which is threatening to suck out funds from the banking system. (*See interview.*)

The difficulty of the task before him can be judged by the fact that Jalan could not exercise the option of lowering the bank's lending rates either. Says Jalan, "The cost of deposits are high for banks and the pre-emptive costs have only contributed to keep it high." Besides, banks are facing stiff competition from provident funds, the national savings scheme, and the private sector mutual funds. The latter are aided by fiscal incentives leading to returns in the region of 11-12 per cent which is the same as the bank deposit rate. Any reduction in bank deposit rates would directly result in funds moving out of bank's coffers.

Consequently, Jalan left the bank rate (8 per cent) and also the repos rate (6 per cent) untouched and avoided giving a direct signal of lowering the interest rates. He is, however, determined to have a low interest rate regime in the economy and that too being not confined merely to the banking sector.

In line with his accommodative monetary stance, Jalan did the best possible thing. He cut the cash reserve ratio (CRR) by 1 per cent to 9 per cent. This cut will be effected in two stages — 50 basis points (BPS) to be effective from 6 November and the second cut two weeks later. He also withdrew the 10 per cent incremental CRR on FCNR (B) deposits, the 30 per cent surcharge on import finance and did away with the floor level of 20 per cent interest on overdue export bills. By injecting Rs8,061 crore through these monetary devices he is ensuring funds for corporates and also taking care of the government if it overshoots its budgeted gross demand of Rs84,014 crore.

The RBI has permitted banks to lend below the prime lending rate (PLR) for bill-discounting, intermediary agencies and loans covered by refinancing schemes of term lending institutions. "The RBI has ensured a greater rollover of working-capital funds for the commercial sector by delinking PLR from bill discounting," says Babu Raghutham, assistant general manager



with Global Trust Bank. Similarly, to encourage financing of infrastructure projects which are perceived to be capable of giving a fillip to the economy, the RBI has removed the banks exposure cap of Rs1,000 crore for power projects and Rs500 crore for other projects subject to the overall prudential exposure norms.

In the process of taking care of the government, the governor has not ignored the problems of banks either. To cool the inter-bank markets where call rates stayed high for the good part of the current fiscal and remove panic in banks to cover their CRR, the RBI introduced a two-week lag in CRR calculations with effect from 1 January 2000 (the net demand and time liabilities [NDTL] base on 17 December 1997). Similarly, to circumvent any Y2K related panic, Jalan has done away with the statutory liquidity ratio (SLR) (25 per cent) requirement on the cash held in hand by banks for two months — December 1999 and January 2000 and instead brought it under the CRR (9 per cent) ambit. This will increase cash in the hands of banks by a good 16 per cent of their NDTL.

While addressing short-term needs, Jalan has also kept the long-term reforms process in mind. He has cut down banks' exposure to individuals from 25 per cent to 20 per cent which will eventually go up to international standards of 15 per cent in the long term. The RBI has also imposed a 2.5 per cent risk weight to non-SLR securities. "The RBI has further strengthened Indian banks by bringing in the best global practices and standards to India," says P.H. Ravikumar, executive V-P, ICICI Bank.

The RBI has removed the money market mutual funds (MMMF) from its regulation and entrusted the role to Sebi. It has also directed banks to set up separate MMMF entities and offered cheque writing facilities for gilts funds. Besides, it has permitted mutual funds to undertake interest rate swaps.

With the aim of boosting the forex inflows, the RBI liberalised NRI investment norms. NRIs have been permitted to avail rupee loans against the security of shares from authorised dealers in India and Indian companies have been allowed to issue non-convertible debentures to NRIs and overseas corporate bodies on a repatriable basis. The RBI's move of raising the minimum maturity period of FCNR (B) deposits from six months to one year is also in the same thinking. Says P.H. Ramaswamy, head treasury (India), Credit Lyonnais: "This will reduce the country's short-term external liabilities."

Be that as it may be. Instead of pushing forward financial sector reforms initiatives with the vigour which he showed in his earlier policies, Jalan seems to be content with seeing the government's borrowing through safely and giving some sops to banks and the commercial sector.

◆ROHIT RAO

"We'll cut the CRR further if need be"

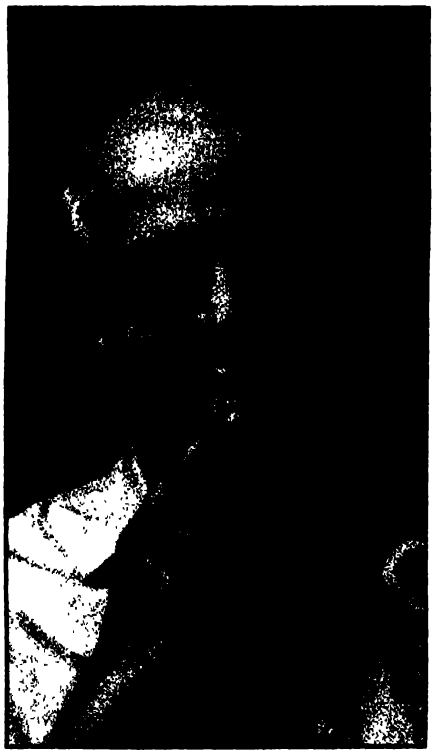
RBI governor **Bimal Jalan**'s mid-term review of monetary and credit policy is crafted to reinforce industrial recovery and strengthen the foundations of financial sector reforms. Jalan told **Rohit Rao** just how he plans to achieve those objectives

Q *What were your concerns for your mid-term review of monetary policy?*
A We are quite comfortable on the foreign exchange reserves and inflation front. We wanted to reinforce the process of industrial recovery and make sufficient liquidity available to the commercial sector. Another area on priority was to take care of the Y2K issue. The third area was to emphasise the role of the credit delivery mechanism for exporters and micro-credit. The fourth area was to look at where we are in terms of financial market development in areas of the money, securities, and debt markets.

Q *You had said the recovery of industry was one of your prime concerns last April. Are you satisfied at the achievement of your objectives as seen from the figures?*
A Liquidity has been comfortable and whenever there was pressure on liquidity we have opened the open market operations (OMO) window. And the current CRR cut is aimed in the same direction. The latest data indicates 6 per cent industrial growth during the past six months, which is much better than in the past. But all of us would like to see this improve further in the coming months.

Q *What are the objectives of the CRR cut? Is it to inject liquidity into the banking system or to bring down the pre-emptive cost of funds for banks or to offset the flow of money into the mutual funds? The point is, will the commercial sector get the additional funds injected?*
A All your points are valid. Liquidity is an aggregate of several factors and money is fungible. There are different demands and as long as distributable money is available to meet all these demands we are in a good shape. And RBI has said it will make sufficient liquidity available to meet all these demands. The CRR cut will also bring down the pre-emptive cost of funds for banks so that the downward pressure on interest rates will be maintained.

Q *Is the CRR cut also to accommodate the government's anticipated additional borrowings?*
A If they occur, yes. However, if further changes are needed for this accommodation, we will do it provided the inflation environment remains good.



Q *You have said that banks are at a disadvantage in lowering their lending rates because of their high cost of funds. Besides, they face stiff competition from PF, NSC, NSS, and private mutual funds, which offer higher interest rates and fiscal incentives. What is RBI doing to remove this disparity so that we can move to a low interest rate regime? Can RBI do it alone?*
A This is an intricate question — no, RBI cannot do it alone. It can reduce the pre-emptive cost for banks by bringing down the CRR, and it is moving in that direction. We have said that there are different agencies and they have a role in this. We want to communicate the fact that interest rate structures have to be flexible depending on what part of the business cycle we are in. This is a function of the cost, depending on the flexibility of the borrowing structure. Presently we have raised this issue and we need a lot more debate on this so as to move to a low interest regime in the real sense.

Q *Is RBI concerned about the shrinking interest rate spreads for banks?*
A No, it is not concerned. In fact, that's a good thing. It's an indication of good competitive pressure and greater compliance of the prudential requirement and also that we are moving towards a healthier banking system.

Q *Despite liquidity adjustment facilities introduced last April, call rates have remained high and the reasons for this are said to be miscalculation of CRR by banks. Is the CRR being lagged by two weeks because of this or is it the Y2K preparation?*
A Most of the banks were saying that since the CRR requirement has to be made on the reporting Friday, this did not give them sufficient time to collate the information from their branches. A time lag of two weeks helps them to know their exact CRR requirements. As it is being applicable from the fortnight beginning 1 January 2000 (the NDTL base on 17 December 1999), it also helps meet Y2K preparedness — this is a coincidence.

Q *The reduction of exposure to individual borrowers from 25 to 20 per cent could choke corporates as they will have to scramble for funds to reduce their outstandings. Besides, it is coming at a time when loans given to several big corporates are NPAs in the books of banks and FIs. Will this move not create more chaos?*
A The reduction will happen over a period of two years. Besides, there will also be deposit growth. Hence, it will be least disruptive.

Growth sector



Sector 18 in NOIDA is drawing shoppers in droves

It is a market which has all international fast food chains within walking distance from each other. For shoppers it provides a comprehensive range of garments in both international as well as Indian brands. It also has two superstores (Nanz and Giants) and for those who want to spend a few hours relaxing there is enough scope to play pool at Future Zone, where often you have to wait for two hours to get a free table. Two months ago, the area also got its first departmental store Ebony when the Delhi-based company opened a 40,000-square foot store and soon it will also have a cineplex and a hotel.

Little wonder then that Sector 18 in the satellite township of NOIDA in Uttar Pradesh has emerged as its biggest landmark. "We did a lot of research before we settled for Sector 18. The customer profile that we arrived at showed us that there is a lot of spending potential amongst the people living in NOIDA," says Sugato Bose, general manager, (Merchandising), Ebony. Their research was proven right on the first day when the store got 11,000 customers and so good has the response been that the company has cut down its break even time by half.

"The real credit should go to the developers," says Bharat Bhushan, chief architect planner, NOIDA. According to Bhushan, only 40 per cent of the total 100 acres which make up the sub-district centre in Sector 18 have been developed so far.

The rest of the area is going to be developed in two more phases. In the second phase (the first one which concentrated on retail shops is over), NOIDA authorities have already auctioned land for a cineplex (for Rs11 crore) to the little known Shipra group and land for a hotel to Malhotra Book Depot, both of which are likely to be ready over the next three years. In the last phase, the concentration is going to be on setting up large Ebony-type departmental stores.

"The biggest reason for the success of Sector 18 is the fact that in the planning we had laid equal emphasis on both shopping as well as entertainment. The entertainment aspect will be taken care of once the cineplex as well as the hotel comes up," says Bhushan.

Low property prices is another driver for growth. According to a commentary prepared by India Property Research (in association with Chesterton Meghraj), bare shell space is available on rent for prices ranging between Rs55 to Rs70 per square foot per month for retail shops. In keeping with the increasing interest in the area, this figure goes up marginally to between Rs60 and Rs85 per square foot per month in the newer developments which are still under construction.

In comparison, rents for shops in Connaught Place and South Extension are as high as between Rs100 and Rs125 per square foot. Says Tanaji Chakraborty, general manager, India Property Research, "The rates are much lower than the traditional retail districts of say Connaught Place and South Extension. Moreover, shops in this Sector get good value for money because NOIDA has a lot of young, computer literate people who both work and stay in the town. The spending power of these people is quite high." Many companies and factories are based in NOIDA.

Sector 18, which is about 10 kilometres from east Delhi, has also managed to attract customers from the high population density area of east Delhi because it has no conveniently located shopping complexes. According to Bhushan, the scenario is going to get even better when the multi-lane flyover connecting NOIDA to Maharani Bagh in south Delhi gets operational by the middle of 2001.

The development of Sector 18, which is primarily driven by food and garment chains, picked up about three years ago (though the land was sold 10 years ago) when international fast food chains targeted the area to expand their bases.

The progress, however, has not been without its share of problems, which are: recession in the property market, an unreal price increase for the last year-and-a-half in the area, and the fact that the authorities have not been able to keep pace with the interest generated in the area. Not that shoppers are complaining too much. The area with its good lighting and landscaping more than makes up for these small glitches.

• PUNAM THAKUR

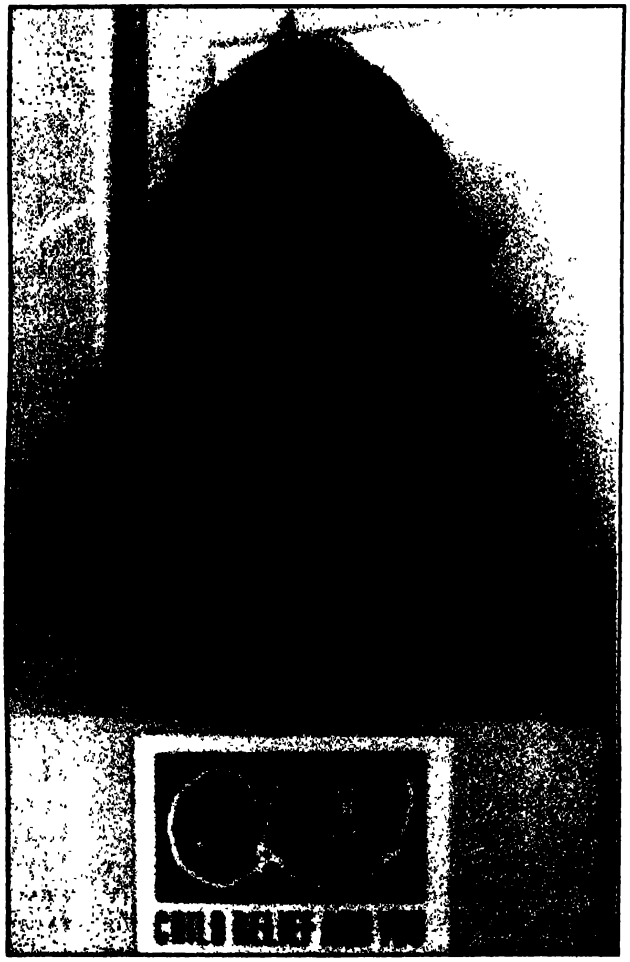
Reach out for a cause

CRY is a perfect example of successful cause-related marketing

When *Business India* met CRY (Child Relief and You) they were curious to know why we wanted to write about the organisation. They were sure we wouldn't go past the first meeting. "We seem to scare off journalists," they said. From an organisation that was started 20 years ago with Rs50, a dining table and a dream, CRY's support today touches the lives of eight lakh children through 162 projects. For the financial year ending March 1999, CRY generated a surplus of Rs11.5 crore, a 28 per cent growth over the previous year (Rs7.76 crore). Of this, Rs9.3 crore were deployed towards child development initiatives such as education and health of 314,000 children across the country (Rs5.1 crore in 1997-98).The total funds disbursed were Rs5.42 crore.

For 1999-2000, CRY has set itself an ambitious target of reaching out to 100,000 children, in addition to the 812,000 children whose lives it has already touched in the last two decades. To achieve this, the organisation is aiming at generating a surplus of Rs14.5 crore, or a turnover of Rs24 crore, this fiscal. All NGOs, as a rule, reveal their financial results only to the Charity Commission. This is the first time that CRY has made its financials public.

"It is in keeping with building a transparent and open relationship with the public," explains Pervin Varma, director, CRY. "We are a public trust for children and, therefore, we are accountable to both the public who actually contribute, as well as the public who go out there and do the work. And the larger public itself," she adds. Besides, this is not altogether a newfound openness – CRY's annual report is a public document, she adds, available to those who ask for it. Making accountability and transparency a cornerstone is a good way for CRY to endorse its credentials further and thus attract new contributors.



UNESH GOSWAMI

Varma has set ambitious targets for CRY

To the average person, the most visible face of CRY is the greeting cards they sell. But obviously there is more to CRY than that. In fact, the organisation spans the entire spectrum of development activities — from working with children, to resource mobilisation and developing effective systems of training as well as supporting networks from the grassroots to the regional and national level. CRY also plays an important role in influencing development-related policy by interacting closely with government officials. Unfortunately, people only notice cards, a business which contributes 14 per cent to the organisation's revenues. In fact, contributions from large corporate houses and individuals contribute 50 per cent to the organisation's resources.

The approach is two-pronged — resource mobilisation and building public awareness. With regards to building public consciousness about needy children, CRY has 25 specialists trained in development issues who have an understanding of the grassroots. As a majority of CRY's initiatives, at least 60 to 70 per cent of them, are small struggling initiatives (which is pretty much where CRY started), they recognise the need of supporting this area; in other words, the initiative need not be a major project, small ideas are also welcome. Hence CRY lends its support to individuals, organisations and grassroots organisations that would like to work in the field.

For resource mobilisation, CRY has roped in marketing and communications people from the corporate sector. Marketing is fundamental to the organisation. "The entire support that we get, the awareness about us, is entirely a marketing effort," says Ila Dikshit Hukku, manager-planning. Hukku has been with CRY for the past one year and prior to this, she was a financial manager at Eicher Consultancy. In fact, this year CRY has reworked its marketing. The organisation has three primary streams of revenue – an employee in a corporate, the single person and a family person. The marketing teams are focused around these distinctions (or profiles). Once CRY gauges the potential of each, it then defines how a person may contribute; be it a card, a donation, or

direct project funding. The advertising strategy is a common one across the board.

The role of corporates is usually by way of direct project funding, whereby the resources available from corporates are matched to the needs of the child development initiatives. The Tatas, Cadbury Schweppes, TNT worldwide, IDBI, the Hinduja Foundation, to mention a few, have been a part of this initiative. For fiscal 1998-99, corporate involvement in development work by way of direct project funding amounted to Rs76 lakh, or 15 per cent, of revenues.

An area for growth is the payroll giving scheme. What this means is that employees in companies give a part of their salary to CRY for the entire year. Sicom, Datamatics and Clarion Advertising are some of the companies that have participated in payroll giving. Sicom made a monthly donation of Rs5,600 through 70 employees

The CRY shop, which opened in south Mumbai in 1998-99, is CRY's first attempt at setting up its own retail outlet. While it stocks CRY products such as cards, calendars, etc, the shop is primarily an attempt to market the creative works of NGOs working with underprivileged communities, thus enabling them to generate resources for those they represent. The CRY shop offers a range of products – table linen, clocks, candle stands, educational toys, stationery and even designer costume jewellery — all priced between Rs8 and Rs900.

It is the people involved with CRY who have made all the difference to the kind of cause-related marketing it does. "They have a tremendous amount of courage and an unwillingness to see the enormity of the situation as an obstacle," says Varma. "They have a single-minded focus and conviction that what is happening to children is wrong and we as adults can make a difference."

CRY was started by Rippan Kapur, an airline bursar, and seven friends in 1979, in response to the situation of children living in the most inhuman conditions, deprived of the most basic means of sustenance. In 1980, the CRY cards division was formed and the organisation managed to sell 30,000 cards. The turning point for the organisation was in 1983, when it moved from being a run-by-well-wishers organisation to acquiring its own space and incorporating specialised skills such as technology, systems, etc. What added weight to the organisation was financial support from the Ford Foundation for three years (1989 to 1991). With this, the organisation was able to rope in marketing, communication, finance, planning and technology specialists from the development sector as well as those from corporates.



CRY has supported several such development programmes

CRY measures its success by the number of projects that it helps initiate. The Dr Shantha Sinha-run MV Foundation in Andhra Pradesh (AP) is one such project. Sinha wanted to eradicate child labour in state's agriculture sector, which has a history of bonded labour. She set out on the task almost a decade ago in the Ranga Reddy district. To begin with, she managed to convince a couple of families to let her teach their children. The fact that she succeeded was a major breakthrough. She started by teaching three children for three months. Sinha then took her efforts to other neighbouring districts like Shankarpally. Meanwhile, the Ranga Reddy district has seen an end to its history of child labour, becoming an internationally accepted model for eradication of child labour. Only one-tenth of MV Foundation is supported by CRY today, as they are also getting support from the government.

However, CRY hasn't limited its boundaries to India. An international cell was set up at Delhi in 1991 to involve NRIs in development work back home. Today, over 7,000 individuals contribute through the international cell, mostly by way of donations. The US chapter of this cell, CRY INC, essentially a volunteer-based organisation, was started in 1998. Today, almost 600 volunteers work for CRY in America. CRY INC is a virtual organisation on the Internet. For the first year, CRY INC. reported $3,000 from card sales. This year, it hopes to report revenues of $6,000. By 2000, the organisation has targeted to be a million-dollar organisation.

"Our targets are determined by our commitment on the field, so we have no choice but to get there," says Varma. The focus is going to be on the girl child. "In India, the girl child is the most vulnerable. Of course, there are psychological and historical reasons for this," she adds. While children will always be the focus of the organisation, Varma would like to see the movement go from the grassroots upwards and see the children they are working with make the difference by contributing to the needy.

• BHAKTI CHUGANEE

Colours that stick

Modi Revlon is pulling out all the stops to get a shade ahead of the competition

Meghna Modi is no Simone Tata. But, the 20 something executive director of Modi Revlon (a 74:26 joint venture between Modi Mundipharma and Revlon USA) is trying to do with Revlon what Tata did with Lakmé several decades ago — make it a household name in India. There's just one difference. Lakmé was virtually a monopoly in colour cosmetics and skin care when Tata created and nurtured it, but Modi is battling with a global brand that's had a chequered history in India ever since it entered in 1995.

Yet, as Modi sinks into her chair in the comfortable environs of the conference room on the plush 14th floor of the erstwhile Hemkunt Towers (now renamed Modicorp Towers) in south Delhi's busy office complex, Nehru Place, the petite eldest daughter of Umesh Kumar Modi looks more than confident of surmounting her problems. "Yes, we were weak in the knees in the first three years. But the worst is over now," she says and smiles, looking at marketing director Prashant Panday to elaborate.

A couple of weeks ago Revlon initiated the launch of a product that's expected to bring the much-needed volumes for the brand in India — Revlon Inc's first-ever mini nail enamel range. Research showed that nail enamel is the fastest-growing segment in colour cosmetics today, but Revlon has been selling lipsticks more. So the tiny 8 ml pack, priced at Rs55 for one bottle, is meant to penetrate the nail enamel market. At a press meet in the capital to launch the mini nail enamel, Modi Revlon president and CEO Umesh Modi admitted as much: "Our research indicated that nail enamel is growing the fastest among colour cosmetics. But in our company, lipsticks do better. So we decided to target the fence-sitters with the new product."

The mini nail enamel will come in a range of 33 shades and is aimed at all those Revlon aspirants who have longed to own the brand but could not afford it. In other words, it will woo all those Indian women who might be using Lakmé or any other brand at the moment but could well switch their shades to Revlon if they were offered a value-for-money product.

The only other company that boasts a similar pack – in fact, a smaller one at 7 ml – is Avon. But then, that can only be bought through Avon beauty advisors, and comes much more expensive at Rs89. In that sense Revlon has a sureshot winner in its hands. Besides affordability, the smaller pack reduces wastage, increases shelf life, and makes the upwardly-mobile Indian housewife feel less guilty about splurging on new colour shades. While it's too early to gauge the response to the product, if Avon's experience is anything to go by, the mini packs are instant volume-grabbers; in fact, Avon offers mini lipsticks as well.

The mini nail enamel is only one of the products that Modi Revlon has rolled out in the run-up to the new millennium. On the anvil are eye shadows, lip-liners, and eye pencils, Charlie Sunshine and Charlie Red Talc, as well as at least one new colour shade statement before the year is out. "Whether it has recovered completely from its past errors isn't clear, but Revlon looks headed in the appropriate direction now," says the marketing director of a rival company.

The countdown began in December last, when the globally acclaimed Colour Stay lipsticks were launched here. Colour Stay had changed Revlon's fortunes in the US, and the global cosmetic company is hoping the same will happen in India. While Panday is unwilling to share numbers, he claims that Colour Stay already accounts for at least half of Revlon's total lipstick sales in India. At present the brand commands about 15 per cent of the Rs60-crore market for lipsticks and 12 per cent of the Rs120-crore nail enamel market in India.

Two months ago Revlon also made a foray into hair colorants with its Color Silk brand. Imported from the US but marketed by Modi Revlon, Color Silk (Rs249 for one pack) is priced at least Rs40 cheaper than the market leader, L'Oréal's Excellence Crême. Whether lowering the price is a good entry strategy in a rapidly growing segment in which L'Oréal already has the first mover advantage only time will tell.

But, whatever the fate of Color Silk, one thing is clear. The colours are finally beginning to stick on Revlon in India. After a pale start which saw the exit of at least two CEOs and as many marketing directors and witnessed the launch and fading away of a plethora of product categories and shades, the company appears to have found its feet at last.

Indeed, in 1995, Revlon had made the same mistakes as most multinationals did at that time. It had understood the Indian market differently, made the wrong choice of products, and hadn't



Meghna Modi decided that Revlon would be associat



VIVAN

th fashion to make it a mass premium brand

laid out its distribution network well enough to cover the complexities of such a vast country. The result was that, by end-1997, much of what Revlon had entered with had to be given up.

One of the first things Meghna Modi did after she joined the company as executive assistant to her father was to exit the slow-moving product categories and concentrate on Revlon's core competency worldwide. So, Modi Revlon moved out of the skin care segment completely and decided to focus on what it's best at – colour cosmetics and fragrances – besides retaining the successful Flex shampoo and conditioner, and the Touch & Glow fairness line as niche products.

Then the question arose: how best could Revlon stand out in a crowd? Until then the global brand had been perceived here as an expensive Lakmé lookalike. Modi decided to associate Revlon with fashion, and thus give it a distinct identity as a mass premium brand. Following the new positioning the number of distribution outlets were drastically reduced from 15,000 to about 5,000. Alongside, nearly 150 beauty advisors were appointed at the various in-store counters to advise customers on fashion and shades. Revlon also introduced the concept of testers whereby the customer could simply stand at the counter and test out various shades whether or not she was buying the product.

In order to keep in step with new fashion trends Revlon also decided to roll out fresh shades every couple of months and agreed that some of the slow-moving colours would be phased out. This way it would also be one up on its rival Lakmé, which used to bring out only one new shade every year then, and sometimes not even that. Revlon's strategy worked, and its lipstick sales have more than doubled since then.

One of the first shades Revlon applied under the new positioning was Virtual Violet. It was an instant hit, and Revlon sold in two months what it had expected to sell over eight. Encouraged by the response, it launched Coffee Bar in May 1998 and LavenDare in September of the same year. This year it has introduced Brazen Berry and Blushed so far.

As more new shades appeared on the shelves, inventory management became crucial. "The thing is that we came to be in the business of fashion, and fashion is unpredictable. So we had to change our systems and processes to respond to it," says Modi. To begin with, she did two things. While the ordering cycle was reduced from nine months to four, she devised rolling forecast plans updated every month. Then, she created a bottom-up business plan. Every sales officer would now be encouraged to base his forecast for the following month on the sales of the current one. This, according to Modi, would reduce unnecessary pile-ups and cut costs. A full-fledged management information system was also set up to note daily feedback on offtake and suchlike.

The sales structure was also reorganised. There would now be independent trained sales officers for colour and non-colour separately, and their salaries would be incentive-linked. "We told them, 'The ground is there, run as fast as you can and earn as much as possible'," says Panday. Initially, in some areas, there was a crunch in the form of market development costs. Subsequently, the marketing budgets have been decentralised.

The changes haven't meant huge advertising budgets, though. Instead, Modi has preferred to take the non-conventional route. At a saree show in Bangalore some months ago, Modi Revlon handed out gift hampers along with leaflets announcing its new products and shades. This will now take place at all regional levels.

As Revlon picks up pace, Modi is satisfied with the process of change. "It's been nothing but market-learning," she says. The company will break even in November and is slated to make profits from the next financial year. A colourful way to start the new millennium.

MAHASWETA GHOSH ROY

A confusion of confections

Delhi's markets are awash with foreign candies and processed foods, not all of them legally imported. But that's not the only problem

If you are visiting INA market in south Delhi after a gap of a few months, be prepared for a few surprises. You will find the parking lot chock-a-block with ladies dressed in pearls and chiffons rushing from one shop to another. When you decide to head towards your favourite grocery store, look carefully because you will probably walk right past it without seeing any sacks full of lentils and rice spread over the pavement. And if it is a humble tomato ketchup made by an Indian company that you are looking for, the helpful shopkeeper will ask you if you would also like Hershey's chocolate sauce or Kraft's barbecue sauce.

Yes, the otherwise downmarket INA market, known more for its cheap vegetables, fresh crabs and fish, and bargain-priced household items, has undergone a face lift. Almost all the grocers have now shifted focus and their shelves are lined not with domestic products but a range of international ones. "Whatever item you want, whatever brand you want, you name it and we store it," says one shopkeeper, pointing to shelves loaded with Hershey's sauces, Italian pastas, Mars chocolates, Kraft cheese, Koelesman pickles from Germany, Crespo pickled and stuffed olives from Spain, and Namjai red and green curry pastes from Thailand.

INA market isn't the only shopping area bursting with imported food products. Every big market and even the next door grocery store now has Tang juices vying for space with Kissan squashes and imported cookies (like Lotte Chocopie and Arcor cookies and crackers) next to the glucose biscuits. The *paanwallahs* too have added to their stocks, and besides the regular imported cigarettes you can now also pick up either a Mars or Snickers bar and a host of other candies imported from the Middle East.

Don't, however, make the mistake of asking any one of them where they get their products from or what pricing strategy they follow, because all they will tell you is that the wholesaler comes in the morning, takes the orders, and delivers the products in the evening. And no, they don't know who the wholesaler is or how he can be contacted. At most someone may tell

PHOTOS: VIVAN



The grey market is guilty of much more than just customs evasion, says Sardana

you that "everything is above board and is done through a proper billing system" but no details about the source of the products.

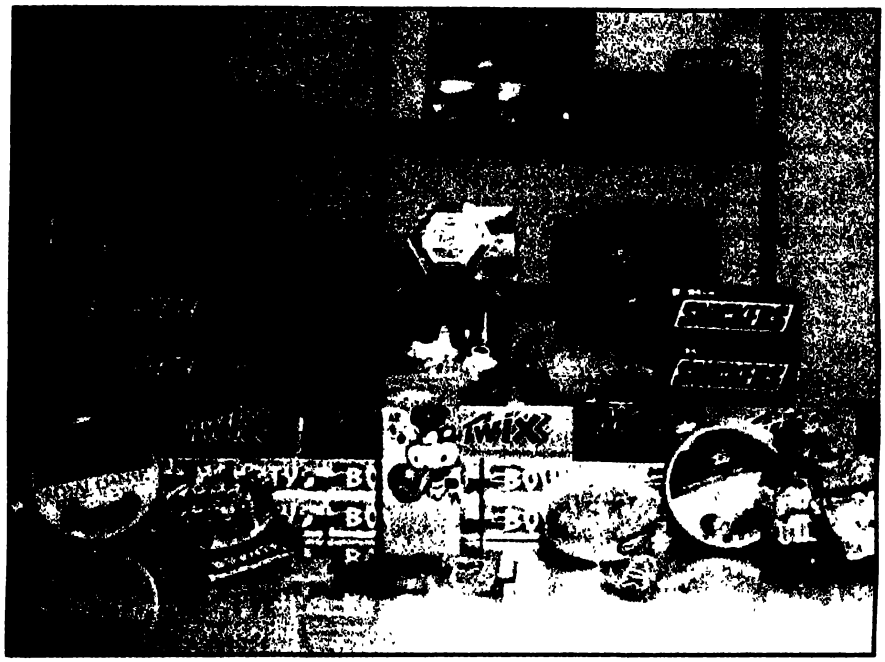
"But that's because these are illegal imports through the grey channel," says Vijay Sardana, secretary of the Confederation of Indian Food Trade and Industry (CIFTI). According to Sardana, and most of the other shopkeepers in the city who don't want to go on record, a bulk of these products are imported through a variety of sources — not all of them above board. There are the diplomatic consignments, a person with relatives abroad who goes and comes back with whatever products he thinks will sell in the Indian market, and through carriers who make regular trips to the Middle East and Far East and come back with food items. Or there are also the wholesalers in Gaffar Market in Karol Bagh who concentrate only on confectionery items and take bulk orders from shops in Delhi and those in the other wholesale market Sadar Bazar in Old Delhi who get meat products and sell them through the same route.

"There are plenty of people who want to make a quick buck," says Ashish Dubey, sales manager of Manisha International Private Ltd, which started by importing Cavendish and Harvey sugar confectionery from Germany in the mid-1990s and has since added Riscossa pasta from Italy, Fragata olives and olive oil from Spain, and Kikkoman soya sauce to its kitty. The mid-1990s were also the time when food products were placed under open general licence under the export-import policy. This meant that anybody could go abroad and get the products after paying the required duty, which for food and confectionery items ranges between 55 and 70 per cent. "The reason why the grey market is so cagey about its sourcing is because it doesn't pay this duty. What it is doing is illegal, so it is scared of the implications," says a shopkeeper. If a product is got through the legal channel, the importer has to pay not only the customs duty but also a sales tax, which is about 7 per cent.

Evading duties, however, is just one of the problems with the grey market. According to Sardana, those people who are getting the products through illegal channels are flouting a number of other rules as well. "No expiry dates are mentioned on any of the products. How is the customer to know that the product he is buying is within the expiry date?" Those who get the products through the legal channel point out any number of instances when the expiry dates of legally imported items have been removed so that they can be sold even after the expiry date is over.

Others point out that no pricing strategy is followed in the grey market. Most of the products don't come with a maximum retail price (MRP) sticker (a must for all Indian products sold in the market) so every shopkeeper can charge whatever he wants. For instance, you can get Hershey's strawberry sauce for between Rs125 and Rs275 a bottle. Tuna in brine and other fish products imported from Thailand too come with varying price tags, and so do olives and jams. "Some importers routinely underinvoice their consignments—quoting a much lower price for the product when they are importing it and thus paying less customs duty on it. In India they don't use any MRP stickers so they can charge whatever they want and thereby increase their profits," says Sardana.

Another major problem, he adds, is that the grey market is ruining Indian industry for such products. Baked goods like breads and biscuits come under the small-scale industries segment and these industries cannot withstand competition from the grey market. "We should remove these products either from the OGL category or the SSI sector, otherwise we're killing this industry," he says.



The Bhararas believe that things can only get better for the legal importers

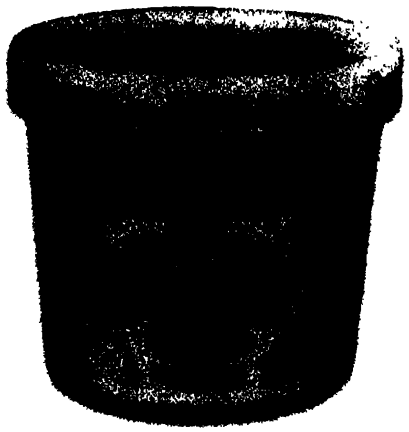
These problems, however, cannot be resolved in a hurry because of the large number of people importing food products both through the grey channels and legally because there are no ways of determining who is importing what items, and at what cost and where they are being sold. In fact, so confusing is the situation at the moment that even legal importers are up against stiff competition from the grey market. Heinz, for instance, has a legal importer and a distributor – Singh Agencies – in Delhi for only three products (sandwich spread, baked beans, and curry sauce), whereas every other Heinz product (like tuna in brine and tuna in oil) is freely available in the market. Kellogg's, which has been in India for

some years now, also has imported breakfast cereals sold in packaging 'at a competitive price of £1.95'.

There is confusion also about whether other products like Hershey's sauces, Kraft cheese, scores of Italian pasta brands, and even butter cookies are coming through the grey market or through legal channels. Very often shopkeepers themselves don't know what channel the product is coming through and if they don't get legal importers, they go to the wholesale market and pick up whatever is in demand.

However, if the legal importers are to be believed, the situation is changing for the better. Surura Business (India) Private Ltd, which has direct links with Mars (for Mars, Bounty, Snickers, Twix, Galaxy, M&Ms, Skittles, and Milky Way chocolates), Arcor of Argentina (for sugar confectionery, chocolates, jams, and fruit preserves), and Kelsen Bakery of Denmark – is optimistic that the situation can only get better for companies like itself. General manager Ruchi Bharara says, "We are glad that the government opened up this sector. With more organised players in the field, the situation is a lot more stable now."

Surura, which supplies its products to most of the states in the north (with expansion plans of moving to the east and south soon), has set up its own distribution chain and sales force, and insists on an MRP sticker on each item so that customers gets it at the same price everywhere. "It has been slow and steady progress, but now people have started buying our legally imported chocolates because they know that they are getting a guaranteed product at the same price everywhere," says director Raj Bharara.



Blue Bunny ice-cream, a legal import...

Others like Dubey are confident that the situation will improve now that there are bigger players like Nestlé and Procter & Gamble also importing products. "These companies will go in for large-scale marketing activities which will create more awareness about the concept of buying only products that are legally imported," he says. What he is looking forward to is "healthy competition" between the Riscossa brand of pasta (being imported by his company), which comes in 35 shapes, and Nestlé's Buitoni pasta.

Though there are no statistics available, it is obviously a growing market for even companies like Nestlé India to take note of. The company has set up a speciality imports department which has already launched confectionery and culinary products in the metros and over six semi-metros in the



country The products (come with an 'Imported by Nestle India' label and MRP sticker) include Olio Sasso olive oil, Buitoni pasta, Maggi coconut milk powder, and After Eight mint chocolates

Not everybody is optimistic about this market picking up in a big way though Manbir Singh, whose Singh Agencies distributes 13 varieties of Weser Gold juices from Germany, a few products from Heinz, Crespo olives, and Koelesman pickles, says The market for juices has already reached saturation point The only way the market for imported products can grow is if you keep adding to the range available so that the customer has a large variety to choose from every time he goes into a shop "

Others maintain that the market for imported food products is limited and restricted only to the educated and well travelled people in bigger cities Says Dubey, "At the moment the market for pasta is big and growing at a healthy 25 per cent, but there is a limit to how much pasta we can sell " It is for this reason that the company doesn't have a very big distribution network and is concentrating on Delhi, Mumbai, and Calcutta, and also northern states like Rajasthan, Uttar Pradesh, and Punjab

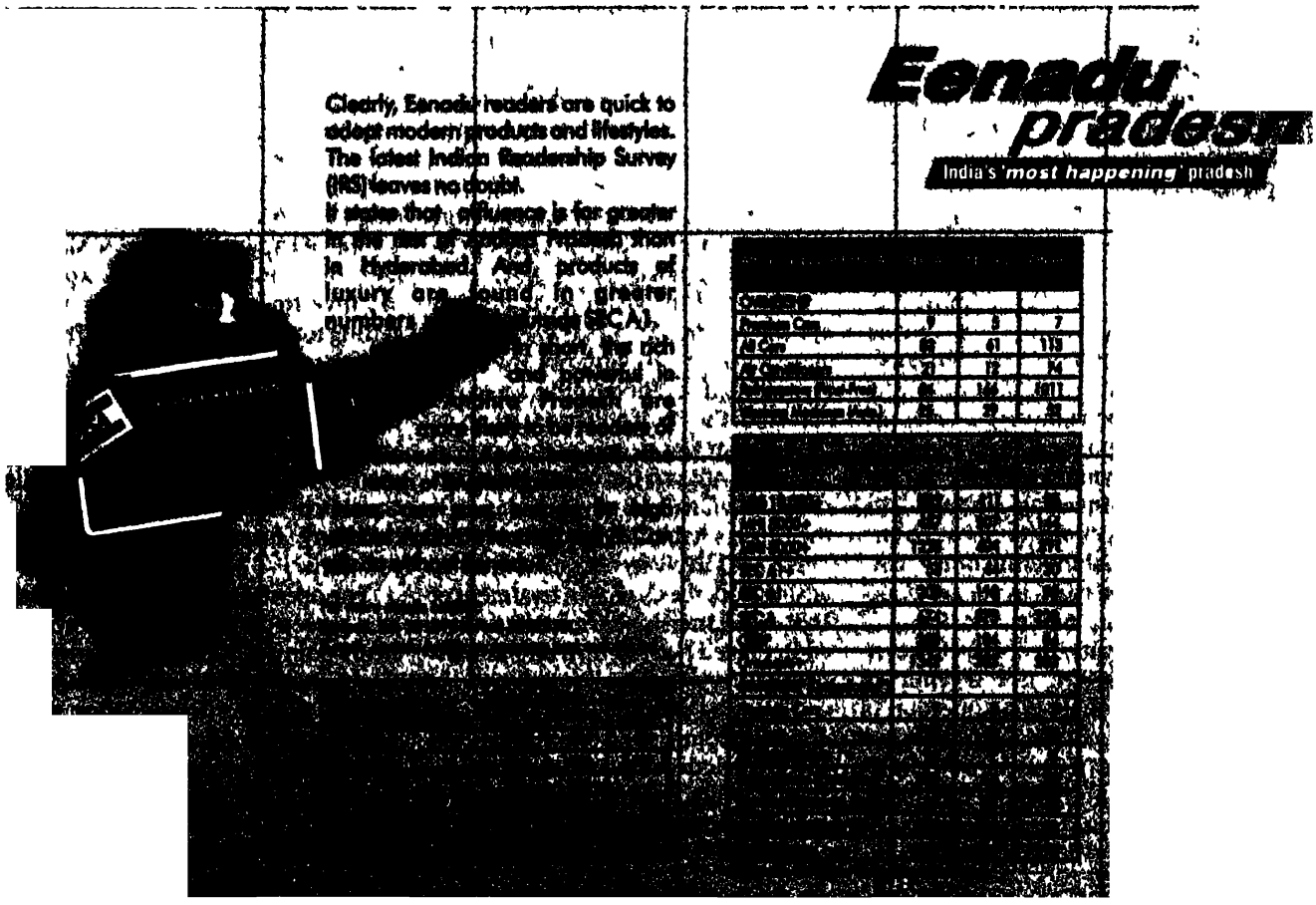


has no competition from the grey market

The small size of the market comes with a number of other problems For one, these companies operate on low margins, something that is difficult to manage when they are not relying on volume sales Says Dubey, "The market is also becoming more competitive To give you an example, we were earlier selling our spaghetti for Rs48 per pack This price has now come down to Rs32 Our margins are shrinking further " Moreover, companies importing goods legally must guarantee to take back any unsold items Surura Business (India) Private Ltd, for instance, destroys all expired chocolates every week, while others are concentrating on only those items which have a longer shelf life like pickled olives (two years) and pasta

These companies also believe the duties are still too high "They may have come down but not enough to make it a level playing field," says Raj Bharara All this, however, may change by 2003, when India will have to bring down quantitative restrictions as per its international obligations This would rationalise the duty structures and facilitate imports But till that happens, the free-for-all will continue

• H NAM THAKUR



Helping hands

Start-ups are turning to niche consultants for advice

Most Indian software companies are thinking seriously about acquiring a base abroad in order to grow faster," points out tax consultant Sapan Parekh of Mumbai-based Sudit K Parekh Consulting Pvt Ltd. "And careful positioning of their business entities can make the difference between sustainable profits and endless wrangling over taxes," he adds. The recent controversy over the employee stock option plan of Infosys highlights the fact that the taxman is willing to forego any chance of the country's growth acceleration so long as he doesn't have to stick his neck out to help things improve.

Niche consultancies, from management services to taxation and corporate advisory, are finding an opening as more small companies get started with foreign links. When a company decides to establish its presence abroad, it may choose to set up a representative office, a branch office, start a 100 per cent subsidiary, or enter into a joint venture.

This is where the new breed of corporate consultants like Parekh come in. There is no common international agreement about where entities should be taxed, when they share cross-border ownership, or how exactly taxes charged in one country can or should be set off against liabilities in another. India has signed a number of treaties with different countries to avoid double-taxation, but even here it can take a fair amount of fine-tuning to ensure that the company retains the maximum amount of its earnings legally after paying tax.

Companies investing in subsidiaries or joint ventures abroad must ensure that the original investment is recovered within five years, as per RBI guidelines. This can be in the form of dividends, royalty, fees, etc. However, these earnings are not revenue in nature, hence there is no question of bringing it in tax-free. Cash flows can be severely hit if this is not clearly understood before making the investment. This does not apply if the



SANJAY BORADE

Parekh is helping small firms set shop abroad

investment is made out of the special foreign currency account relating to export earnings.

Even the most popular locations are not without pitfalls. For instance, considering the old ties with business in the US and the UK, it is surprising to find that Indian partnership companies need to be particularly careful when they establish a presence in these two countries. The reason being that the treatment of revenue for the firm and its partners is diametrically opposite to that in India.

Here, the firm is assessed to tax and not the partners, while there it is the individual partners and not the firm. Therefore, if an Indian firm sets up a branch in the US, it will be taxed on its revenues in the names of the Indian partners, who will not be able to set off their individual tax payments against their firm's liabilities for tax in India. This is a relatively recent phenomenon, arising from the change in treatment of Indian partnership firms, who were earlier taxed both as firm and as partners in their individual capacity.

Thus the creation of a new legal entity, encompassing everything from the strategic decision to the actual registration work and buying/leasing of infrastructural assets, is a matter of critical importance. These matters were traditionally handled by the large corporate consultants and legal firms, but smaller organisations – find it advantageous to outsource much of the procedural work to firms that are, in a sense, more nimble offshoots of the former.

Accountants like Parekh, who earlier worked with KPMG, are an example of the aggressive new niche consultant. Others include lawyer Sunil Phatarphekar, formerly with Crawford Bailey and now partner of Shah, Desai, Doijode and Phatarphekar. "In many ways, there is a clear perception that the service level of smaller firms is much higher although the older and larger firms still command attention for their strategic advice," says Phatarphekar.

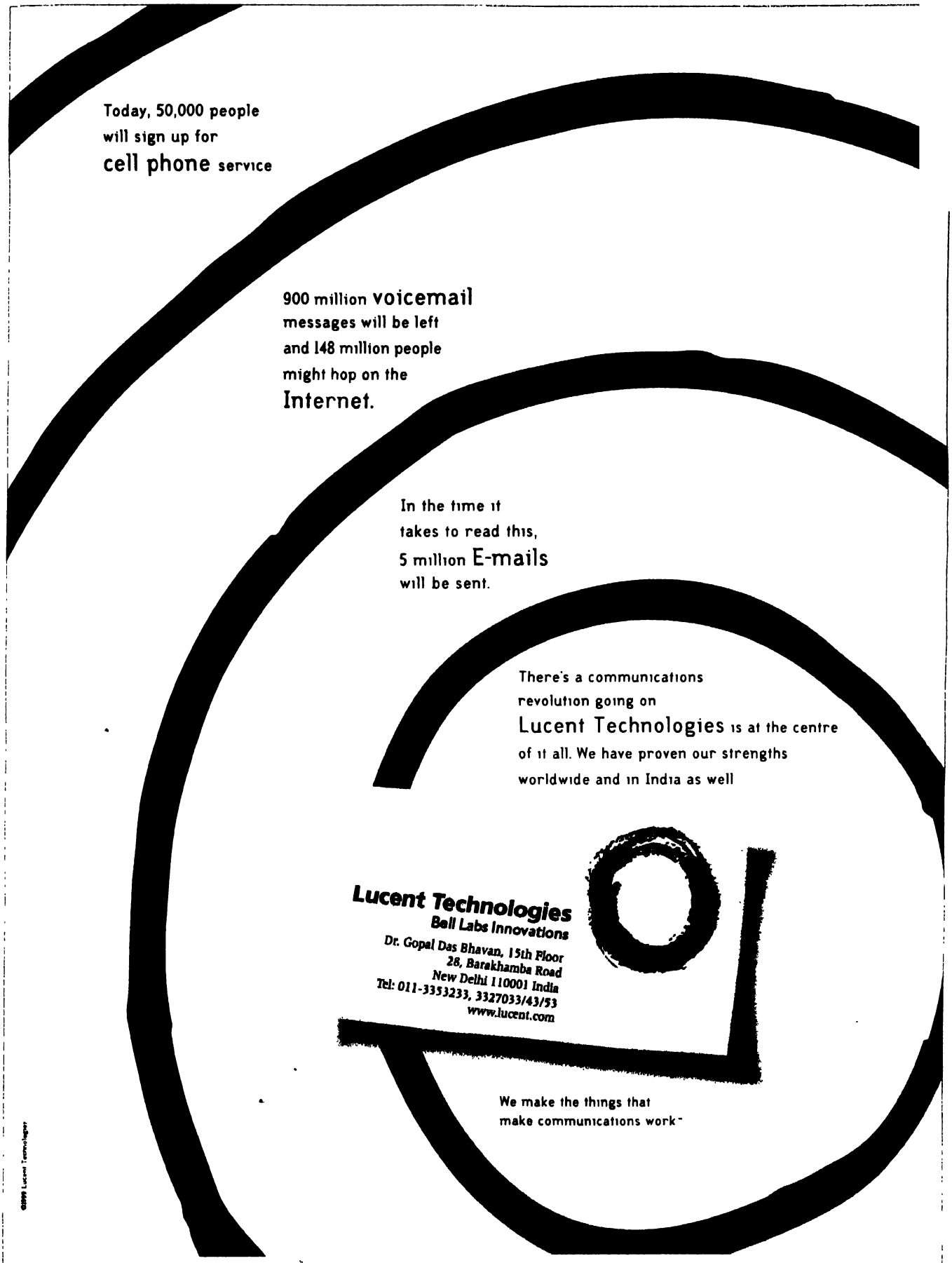
The freeing of restrictions on investments has funds flowing in two directions — Indian firms investing abroad as well as foreign ones investing here. Interestingly, funds are flowing in from relatively new countries, such as Israel., while Indian firms are moving into completely new areas.

Parekh has advised a chemical company moving into Vietnam, ensuring it chooses the right structure. The solution worked out reduced the long-term tax liability of the company from 35 to 17.5 per cent, as the investment was made through a corporation set up in Singapore.

Other consultants, such as Pune-based chartered accountant Anil Lamba of Lamcon Finance & Management Services Pvt Ltd, have expanded to investment banking activities, getting foreign firms through the start-up phase while setting up joint ventures, branches or subsidiaries in India. Software developer Digital Spice Studios Pvt Ltd, formed with investments from India and Australia, consulted Lamcon for its entire company formation and financing solutions.

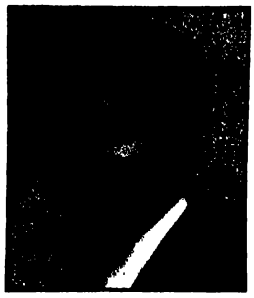
The opening up of niche consultancies, powered by professional entrepreneurs points towards an expansion of the economy, with job opportunities on the rise once more. What would have been the prized jobs of the last two decades. And that makes for some interesting challenges ahead.

• VICKRAM CRISHNA



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SUNIL MEHRA

The author is a senior partner at Horton India, Mumbai

Checks and balances

Reference-checking can detect inflated salary claims and other "white" lies

A recent US survey estimates that 30 per cent of candidates give misleading information either on their résumé or in an interview. Hireright, a fraud detection company, recently released some interesting statistics that show how rampant résumé fraud is in Silicon Valley. The survey was developed by Accou-nemps, the world's largest temporary staffing service for accounting, finance, and book-keeping professionals. It revealed that 80 per cent of all résumés are misleading, 20 per cent state fraudulent degrees, 30 per cent show altered employment dates, 40 per cent have inflated salary claims, 30 per cent have inaccurate job descriptions, 35 per cent list companies that no longer exist, and 27 per cent give falsified references. Of these, inflated salaries are one of the more tricky issues that have badgered Indian HR professionals over the years.

How many companies actually seek to assess the authenticity of information provided by a candidate about his/her salary details? Is it right to do this? Several HR pros are of the view that it is ethically incorrect to question salary information provided by a candidate. Given the fact that such a large percentage of job-seekers do not provide accurate information during the interview, in the larger interests of the employer it is probably worthwhile to qualify figures through salary slips, etc.

Fortunately, it is possible to get various types of reference and background checks done in India nowadays. Several multinational firms in the executive search business have set up shop in the country and some of them have very strong reference checking products. The service can also be provided to clients on a standalone basis.

Indian corporates are still by and large sceptical about reference-checking as a source of valid information. The sceptics suggest that referees may not provide completely authentic feedback, as they would be potentially concerned about harming the career of the individual. However, as organisations and individuals are becoming more professional, this is clearly not a fact anymore. Reference checks have been known to turn up very interesting information, providing conclusive reasons about why a company should or should not hire an individual.

It has been noted that, if done correctly, reference checks can enhance the accuracy of an assessment done during an interview by nearly 20 per cent. Background checks can also be done to authenticate credentials and verify claims of achievements made during the interview. There are organisations that even provide credit rating information on an individual.

In a recent case a past boss, who was offered as a referee by the candidate, clearly mentioned that, while the candidate's performance was outstanding, his ethics were suspect. He went on to specifically quote an instance where, in one of the past jobs, the individual had overpriced a vendor contract and received the differential as a kickback. Obviously the candidate, who is a very senior and extremely capable professional, did not get the job.

References can work in favour of the candidate as well. In another recent example, a certain banker had been severely maligned by his immediate past employer for no exclusive fault of his. When this issue was investigated with other past employers and clients, the feedback clearly showed that the claims made by the immediate past employer were entirely invalid. This reference check actually went in favour of the candidate, whose current employer needed re-endorsement that his own assessment of the individual was accurate. Of course the candidate did get the job.

In today's competitive hiring environment, managers may be tempted to rush through the candidate evaluation process without conducting any background checks. And the irony is that these very same hiring managers rate honesty and integrity as the most critical qualities in a job candidate. But in today's professional world it surely doesn't pay to shy away from seemingly inquisitive and delicate issues.

If approached professionally, a background check can be dealt with a lot of finesse. The results can provide information valuable to the new employer in making a strategic decision that could prevent them from losing several millions of rupees. The costs associated with poor hiring decisions far outweigh any extra time or expense required to verify credentials.

In essence there can be no substitute for very strong referencing and authentic information to back up the interview process in all aspects of verifying credentials, salary details, academic qualifications, skills, achievements, and behaviour of the individual that the company seeks to hire. ◆

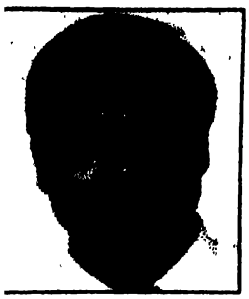


Catching the fleeting joy of a sunset.
Feeling the soft caress of the wind
The gentle sun like a lover's touch upon my skin. This world
I live for. The love I'd die for. And all because

You pass this way but once.



Reid Taylor



CHETAN DALAL

The author is a certified fraud examiner (US) and certified internal auditor (US). His e-mail address is chetandalal@hotmail.com

The doctrine of triage

Good risk management is when a company addresses itself to only those risks where preventive measures can help

Corporate management has realised that everything cannot be remedied or fixed due to constraints of time and resources. The doctrine of triage can be immensely effective when applied in the risk management process. The principle of triage is as follows:

Risks can be categorised as those

- unlikely to increase even if there is a fall in existing control and preventive measures
- unlikely to decrease, even if there is an increase in existing controls and preventive measures
- which will require increase or modification in levels of controls and preventive measures to minimise damage

The principle of triage enables management to focus its attention on the third category of risks. As an example of the first risk category, take the case of a large manufacturing company. It had security guards at every point within the premises besides an computerised swipe card entry control system and biometric technology for entry into the main plant. This cost for this was colossal. On the advice of a risk management consultant, the number of security guards within the premises was halved. Subsequenlty, over a period of two years, no security lapses were reported. As an example of the second risk category, take the purchase department in any organisation. Inflated, excessive or bogus purchases in return for favours or kickbacks are the risks in respect of which controls include vendor selection, authorisation procedures, etc. Even if all authorisation limits are revised so that all decisions are taken at the highest possible levels, some degree of risk in terms of favoured purchases will always remain.

The third category is the most important, because all the resources of the management can be efficiently and effectively utilised to reduce its exposure to risk. The following is a simplified example of the application of the doctrine of triage in business risk management. After a takeover of a small enterprise X by a predator organisation Y, the management of Y found that it had an awesome task before it. X had been making losses in the event management business.

A quick internal audit revealed several potential risks for the future of the business.

1) Loose administration of cash expenditure and disbursement procedures
2) Payments of large amounts to artistes such as singers, musicians, choreographers, sound technicians at rates which were inflated, or excessive, in the opinion of the auditors
3) Sales invoices authorised at low levels with discretionary powers for allowing discounts and credits

It weighed all the three risks and categorised them as follows:

Category 1: Though payments to artistes appeared to be excessive, the management decided that any excessive control measures would be detrimental. Existing procedures were allowed to continue.

Category 2: In respect of sales, even though authorisation was at a very low level and the discounts were discretionary, the management felt this case belonged to the second risk category. It let the existing system continue here too. As most of the major clients had direct dealings with Y also, there would be control at the highest level in any case. Such control would then become redundant at X's level.

Category 3: The management felt that improving controls in cash expending and disbursement procedure would yield dividends. It brought in additional controls in the form of revised lower limits on cash expenditure, formalising cash payment, sanctioning powers, laying down minimum level of documentation needed, insistence on high value disbursements in the presence of senior accounts managers, regular cash verifications both by the management and the auditors, rotation of cashiers. The results were phenomenal. Not only did the cash expenditure reduce by 25 per cent, payments to artistes too came down automatically by 15 per cent. This was because a considerable portion of cash expenditure was closely related to the purchase of artistes' services, because several artistes insisted on receiving payment in cash.

Had the management gone by the usual procedure of introducing controls in respect of all risks, it would not have been in a position to employ sufficient controls in the cash payment procedure and may have wasted precious resources in revising sales and artistes' payment procedures, the results of which may not have been as beneficial. •

Vision for the future

TV18 has charted out a fresh growth plan to extend its reach and upgrade programming

Media stocks are hot. Take the Zee stock, for example. On 18 October, for the first time the stock touched a high of Rs5,000. Since then it has been trading above the Rs5,000-level. On 25 October, the scrip touched a high of Rs5,840. Today it is trading at Rs4,802. Even the Sri Adhikari Brothers scrip is trading at the Rs450-level.

Now, it is the turn of another media company to get listed on the Bombay Stock Exchange — Television Eighteen India Ltd (TV18). Later this year, TV18 plans to tap the capital market for equity of Rs50 crore, offering 27 lakh shares to the public. The lead bankers to the issue are ICICI securities (I-Sec). Priced at Rs180, the issue is attractively priced. The company has a prospective PE of Rs15. "There only a few media stocks, hence there is an appetite for such stocks," says Nachiket Moghe, analyst at Mumbai-based Probity Research.

At present, company promoters Raghav Bahl and Sanjay Ray Choudhary hold 50 per cent of the stake between them. Under an employee stock option scheme, senior employees hold 10 per cent of the stock, while a small amount is with the other promoters — ICICI Ventures and AIA Capital. The company has a paid-up capital of Rs8 crore.

The company shot into prominence in its first year (1993) with the launch of *The India Show* on the Star Plus channel. Soon after, the company became the first independent production company contracted by BBC World to produce a weekly business news programme, *India Business Report*. Aiming to become a market leader in entertainment programming, TV18 broadbased its content to reach a more mainstream audience. Today, the company produces shows across three genres — business, entertainment and non-fiction Hinglish. It makes programmes for channels such as Star, EI, Home, Sony, MTV, Zee and DD.



SANJAY BORADE

Bahl will focus on developing news on the Web

The company is also more than just a TV software company. TV18 entered into a joint venture to launch Asia Business News India (ABNI). After the global merger of ABNI and CNBC, the company started operations of CNBC Asia in India with three locally produced shows — *India Business Day, India Talks* and *Manager 2000*. "In business news, CNBC is easily the market leader," says Moghe. There are plans to step up CNBC programming from the present 90 minutes to 12 hours a day, of which at least six hours will be live programming, taking the channel on the lines of the Star News channel. Also lined up for launch later this year is India's first daily live stockmarkets programme. While the CNBC operations are a franchise as of now, there are plans to float a separate company for the same. "We will consolidate our part-broadcaster status by becoming India's first and only full-fledged broadcaster of business news as soon as uplinking is allowed," says TV18 managing director Raghav Bahl.

To leverage the synergies with CNBC Asia, TV18 is launching a comprehensive TV portal for Indian businessmen and non-resident Indians. Clearly, the future lies with the player who can offer integrated media products (as opposed to individual TV shows or Websites). Positioning itself on multimedia, on the TV and Internet, there is an offering for the mass market as well. "As our niche is information, equally important is Web-delivered business news," says Bahl. The idea behind the portal is that while the TV channel will drive traffic to the portal, the portal will drive traffic to the channel. Other services include e-mail and portfolio tracking, to mention just a couple. Bahl expects the site to be up the first quarter of next year. Talks are on with American Internet companies for templates. While the plans are all very well, the important factor here is the break-even point. "It has taken Rediff some two-and-a-half years to break even. An increasing number of Internet users should help the site," says Moghe.

On the financial side, for fiscal 1998-99, TV18 reported a turnover of Rs34 crore (Rs18 crore for the previous year) and a net profit of Rs12 crore (1998: Rs5 crore). Of course, the idea is to keep up the performance. Only then would the company be in a position to offer the market a media stock like Zee.

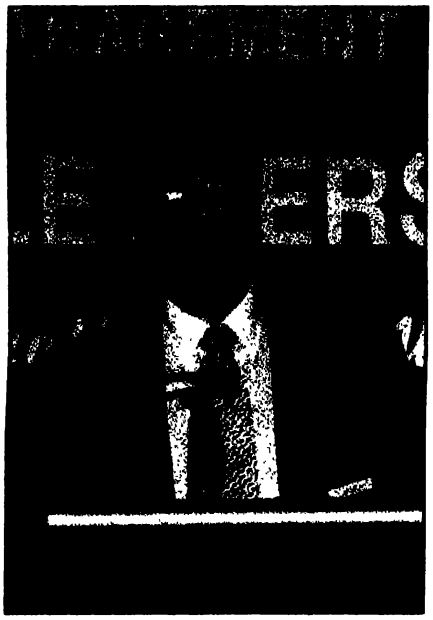
◆ BHAKTI CHUGANEE

"Managing uncertainty is the priority"

As India and the world step into the next millennium and the 21st century, uncertainty is the single most important concern for business leaders, even though much thought has gone in managing it. Globalisation and the emergence of knowledge societies will add a new dimension to managing uncertainty. **C. Scott Hartz**, global strategist with PriceWaterhouseCoopers, the international accounting and management consultancy firm, and an acknowledged expert on the subject of business uncertainty, was in India to participate in a three-day international convention on the uncertainty theme. **A. Thothathri Raman** of *Business India* presents his views

Q *On the uncertainty facing India*

A In India, recent events – political, economic, social and military – have heightened the feeling of uncertainty. But it's not much different anywhere else. In industry after industry and in country after country managing uncertainty is a high priority subject getting the attention of business leaders everywhere. Sailing is an appropriate metaphor. Not surprisingly, from the reports I've seen of Indian companies with a global focus, such as software and pharmaceuticals, it is clear that they are enjoying solid growth and increased market capitalisation. Conversely, domestically focused Indian companies, such as consumer durables, are being squeezed by global companies as they make inroads into the Indian economy.



Q *On what business leaders may encounter when they embark on such a journey*

A Business leaders must assess the risks first by examining the predominant forces of change affecting business globally – the prevailing conditions, if you will, and secondly, they must identify the key forces that are driving the change.

Q *On what these key forces could be*

A PriceWaterhouseCoopers has identified five key forces driving change in the business world – forces that transcend industries and boundaries and will affect all companies wherever they may sail. They are globalisation, convergence and consolidation, innovation and growth, disruptive technology, and e-business. Independently and together they are making our business environment far more complex and interdependent. The biggest risk is standing still doing nothing to respond to this new environment.

Fifteen of the world's 20 top retailers now offer financial services; 14 of the world's 20 top media companies have entered into information technology or Internet services; many of the top 20 telecom companies have ventured into media; electricity, water and gas utilities are merging. Some are looking to expand into telecom, real estate and home security. On the consolidation side of the equation, we continue to witness mergers and acquisitions on an unprecedented scale, in industry after industry, cross industry, and cross border. It seems that every week there is another mega-deal.

Q *On opportunities being presented by disruptive technologies*

A Disruptive technology is a fascinating and important concept bringing to market a new and very different value proposition. Generally they underperform established competing products in mainstream markets at first. But these technologies have certain features that some customers value, such as being cheaper, smaller, more convenient, or really hi-tech. If a technology is truly disruptive, in time its performance improves, the value proposition increases exponentially, and it leaves its mainstream competition in the dust. Internet, wireless telephony, global positioning satellites and land-based navigation systems are just some example of disruptive technologies.

Q *On the potential and threat posed by e-business*

A E-business is creating new industries, reinventing others, and destroying still others. E-business is throwing into turmoil long established relationships between buyers and sellers, producers and suppliers, competitors and regulators and among each other, regardless of national boundaries. Companies large and small are using the Internet to communicate and conduct business with their partners, suppliers and customers, to form alliances, and to connect with their back office data systems. This is the basic structure of e-business. It's about the impact connectivity has on business, it's about the broad span of information technology, it's about the integration of business systems, end to end, and it's about knowledge management, and customer and supplier relations, all working seamlessly over the Internet. Well, as CEOs have told me, "Time's up. Make e-business part of your vision and part of your business plan. Get on this wave, feel its current. Use it to your advantage. Do it for your survival. Do it for your children and you'll be glad you did so." •

Solid Cubed

Geometric Software Solutions is addressing a potent global market in hardcore engineering software solutions

Mumbai-based multinational Godrej & Boyce Mfg Co Ltd has always had the reputation of being a 'sticks and steel' company, with a 100-year tradition in metalworking. Now Geometric Software Solutions Ltd (GSS), once just part of a division of Godrej & Boyce, has found a key to the global software market in solid engineering solutions. "Our core competence lies in understanding geometry," says promoter Manu Parpia, widely acknowledged as having driven the Godrej foray into information technology (other infotech companies in the group include Godrej Pacific, India's largest infotech hardware distributor, and Godrej Infotech, a preferred partner for Baan). GSS has built up a small (just over Rs20 crore in five years) but influential products and services business with its own technology. "We chose four key innovations that helped define us and where we were headed," recalls Parpia.



UMESH GOSWAMI

Shooting too high? No, says Parpia, 'growing too slow'.

The first was to bring in a diverse set of investors. Naturally, Godrej & Boyce continued as a shareholder, representing stability. Venture capital from ICICI, through its VC subsidiary TDICI, was another component. Two international investors, both companies in the solid engineering software world, Moldflow and McNeal Schwendler, provided the fledgling with professional credibility in a global market dominated by conservatism. Right from the beginning the rest of the company was held by employees, which built tremendous commitment and helped mould its long-term business strategies. Their loyalty will pay off when GSS goes public later this year, establishing the company's value above Rs300 per share.

The second was a complete refusal to enter into areas of the business that could become bodyshopping. "We knew that we would not be able to compete if we did not keep our people assets," remarks Parpia. While the company is also in the services business, it does not farm people out to clients' sites.

Third, while the company had comfortable (and relatively inexpensive) offices within the Godrej complex at Vikhroli, it was committed to growth outside Mumbai. The development centre in Pune today staffs about 180 people, 150 per cent over Vikhroli.

Fourth, and most important, the company has been completely focused on its technology, which is geometry. This is the concept that drives a good business in the computer-aided design, manufacturing, and engineering (CAD/CAM/CAE) marketplace. The original Godrej product, Symphony, was a CAD/CAM workstation, built at a time when systems were so expensive and unique that an Indian company could compete within the protected Indian market. That world vanished with liberalisation, but Parpia was determined not to lose the high-value opportunity in engineering products. One important result of this decision has been the fact that the company has made profits (after tax) from the very first year of incorporation, which is significant considering it has invested heavily in R&D and does not undertake bodyshopping.

With under 0.05 per cent of the global market of $9.7 billion last year, which is expected to grow 16.5 per cent this year alone (estimated by industry specialist Daratech, Inc), Parpia could be accused of shooting too high. However, figures don't always tell the full story. About $5 billion of that market is served by only five players — Autodesk, Cadence, Parametric, Dassault, and IBM ETS, the first three topping $1 billion each (including reseller margins) in market revenues last year. All of them have proprietary core technology, and this is actually the market for Geometric. The company's licensees include seven of the 12 top players in this market, including Autodesk and Parametric in the top 5. Work for these customers is carried out entirely at the GSS facilities, excepting the final integration stage.

Geometric makes components that have been integrated into the basic offerings of major players, using its proprietary feature recognition software. Thus FeatureWorks is distributed (as a Geometric product) by SolidWorks, bundled with its eponymously branded cutting-edge technology product, and CAMWorks is sold only by Teksoft, Inc, a leading CAM developer and distributor, also for use with SolidWorks. Upcoming deals include close integration with products from Unigraphics (Solid Edge) and Autodesk (Mechanical DeskTop). Both FeatureWorks and CAMWorks have been registered as trademarks in the US, the latter fully approved since November 1998.

Aside from products and services, the company's other market is technology, and this could lead to a 'killer application' sometime in the future. GSS makes translators between the proprietary and incompatible geometries of the leading software vendors, and is already selling bilateral translators to Unigraphics' Parasolid and Spatial's ACIS. Ricoh will be next, and GSS is finalising the details of a universal translator, a middleware that will allow designers to import and use data created in any software.

•VICKRAM CRISHNA



ATUL NISHAR

The author is chairman of Aptech Limited and Hexaware InfoSystems Limited

www.opportunity.com

The Internet isn't the preserve of big business — even small business and entrepreneurs can use it to immense advantage

Used effectively, some of the basic functionality that the Internet offers can be easily used to immense business advantage. Harness the power of the Net to attract new customers and retain existing ones, whether you're a small business, an entrepreneur, or a corporate executive. And we're not even talking e-commerce here.

The buzzwords smack you senseless, leaping out from virtually every publication under the sun — e-commerce, e-business, e-cash, everything! Each new report ups the ante on revenues estimates and venerates the Internet as the future all-powerful god of all things business. Global estimates talk of over $1.3 trillion worth of e-commerce revenues by 2003. India's Nasscom is pegging the figure at Rs300 crore in the country for the current financial.

If you have never considered using the Internet in your business because you think it's all too complicated, think again. No matter what your business is, you can use the Net to advantage right now, very simply, without plunging into the deep end at all. You can make the Net work for you without necessarily overhauling your entire way of doing business or getting into e-commerce. For now, we'll take a look at leveraging the Net for small businesses, entrepreneurs, and departments of companies; we'll leave enterprisewide strategies and e-commerce for the next episode.

The power of e-mail

With the right e-mail software like Eudora or Pegasus Mail, your mailbox becomes a sophisticated contact manager, complete with automated responses to enquiries from potential clients, prescheduled regular correspondence with existing clients, filtering out of junk mail, and much more. Business executives who learn to become adept using e-mail can use it as complete direct mailing machinery without even the need for a secretary.

Usenet newsgroups and mailing lists

Smart entrepreneurs and businessmen, especially in the small- and medium-sized segments, can use Net discussion forums, mailing lists, and Usenet 'newsgroups' to beef up their image and establish their expertise in a particular area.

Let's take a simple example to illustrate this: a travel agent in Goa frequently logs on to travel-related Websites and tourist-oriented discussion groups. Whenever there are any queries on package tours, accommodation, sightseeing, and other typical tourist concerns, or debates on local issues, the agency makes it a point to provide appropriate information, without directly selling anything. A brief signature at the end of every message gives a few details about the agency and what it offers, but that's all. The agency also sends out a free monthly electronic newsletter pertaining to attractions, events, and special offers in the region. The amount of goodwill thus generated by a constant presence on relevant forums and Websites has translated into a considerable amount of business which might otherwise have never come the agency's way.

Company Website

Nowadays it's almost mandatory to have a company Website. But it's got to be more than just an electronic brochure if you wish to gain any kind of business advantage. There should be some incentive for people to come in, stay for while, and then return frequently. This can be achieved by offering freebies, holding regular contests, and providing frequently changing content. For instance, the National Stock Exchange (www.nseindia.com) offers an online portfolio manager; and Johnson & Johnson (www.jnjindia.com) has, in addition to company and product information, a lot of baby-related content such as a baby name selector, parenthood discussions, advice, etc.

Smart companies have realised that they can get existing customers to make repeat and additional purchases (not necessarily online) by keeping up interaction through the Web. This can be achieved by answering service-related queries, offering special discounts, etc.

Business basics

So, whether you prepare for the next millennium by adapting your business paradigms to embrace the era of online commerce, or you prefer to stick to traditional channels, you can still use the Internet to your advantage. All it takes is a little bit of ingenuity and, as with everything else in business, a whole lot of patience and persistence. •

More for machines

A Pune-based design outfit has changed the way machines look and work, and devised an affordable spring to raise your toilet seat



PHOTOS: PRAKASH ADHAV

Good design helps sell even recession-hit capital equipment, says Satish Gokhale

It was a shot in the arm for a traditionally dull and drab looking product when Electronica Machine Tools Ltd (EMTL) decided to get its CNC turning centre, wirecut machine and electric discharge machines redesigned, says V.S. Ramakrishnan, CEO of EMTL. "For 25 years, machine-tool manufacturers had looked at their machines as very functional," says he. But there were dramatic changes in terms of customer requirements in the 1990s, thanks to exposure to imported products. Enter designer Satish Gokhale, whom EMTL knew because he had been working with its sister company, Electronica Mechatronics Systems, since 1990. Gokhale, and his firm Design Directions, did to the machines what the fairy godmother did to Cinderella – and there was no midnight deadline for the stagecoach to revert to a pumpkin! All non-functional covers were made of fibre-reinforced plastic (FRP) instead of the earlier mild steel, making the machines light-weight; reducing manufacturing costs, external components and assembly time; and, most important, creating a distinct personality for the company's products through what Gokhale calls 'a family look' with the same form and colour combination.

"He completely changed the face of the machine in a record one month!" recalls Ramakrishnan. At the 1997 Hannovar machine tool exposition, the EMTL team was surprised when, for the first time, visitors came over to look and ask. EMTL had to immediately appoint agents in half a dozen countries. Its three redesigned machines also won the 'Machinist' award at the IMTEX'98.

Gokhale began his career in 1985 as an industrial designer employed by Bajaj Auto Ltd, where he was instrumental in the company getting patents for two scooters based on the same tubular chassis with a variable drive. During his two years with the scooter giant, he also created the decals, graphics and colours for the Kawasaki-Bajaj motorcycle, besides setting up microprocessor-based workstations for the inspection of cylinder blocks and connecting rods.

Branching out on his own, the first few years were tough. "My breakthrough was when Loyal Engineering, a textile machinery manufacturer in Coimbatore, asked me to redesign its cotton carding machines, comber and other equipment," says Gokhale. He transformed Loyal's carding machine from a dull green hulk of metal to a sleek red-and-white product which won the Designers Guild of India's 'good industrial design award' in 1994. FRP replaced metal, cutting noise by ten decibels, weight by 100 kg and manufacturing costs by 30 per cent.

In addition to creating a distinct product personality with form and colour, Gokhale developed a special microprocessor-based controller for performance monitoring, with stop-motion controls to provide efficiency, production, down-time and other diagnostic data. "My work is to improve not only the aesthetics but also ease in manufacturing," he says. "I studied textile technology so that I could talk the same language as my clients." He makes it a point to do a lot of homework, learning what each machine does. "I become part of the client's team, but can get a lot of things done as a catalyst, because I am still an outsider," he explains. "The changes were not meant to be just cosmetic," agrees a senior official of Loyal Engineering, which has since been taken over by Shanthi Gears. "We did it so that we could cut material costs, introduce ease of operations, make it easy to assemble, repair, maintain and so on. In this process, Satish introduced a lot of substitute material. All this resulted in a new, attractive look." The market did not demand any such effort way back in 1991, because the imported machines were also functional looking. "However, the people who bought our machines did appreciate the design," the official adds.

Gokhale is particularly proud of the price parings made possible by his

redesigning of items ranging from an automatic toilet-seat lifter to the world's smallest fully-computerised blood analyser. The toilet device, which Design Directions has patented, is a simple mechanical spring which can be retrofitted to any WC, to make it rise by itself. "No more exhortations of 'Gentlemen will please lift the seat' in train or aircraft toilets," he says. Yes, such a device already exists; but it is electronic, and costs $3,000. Gokhale's spring will retail at under Rs100.

At the other end of the sophistication spectrum, the blood analyser he has designed for the Mumbai-based Transasia Biomedicals Ltd is the fastest in the market, performing 600 tests an hour. It is also the most efficient – 43 tests need just five millilitres of blood against the 10-15 ml used normally – and is 35 per cent cheaper than its competition. In between is an assortment including the Camlin Y2K, the first ball-point pen using an Indian industrial designer, and a pneumatic booth and product display units for Tetra Pak.

The other half of Design Directions, headed by wife Falguni Gokhale, is good at illustrations and is more visually oriented. Into animation, graphic design, educational literature, exhibitions and multimedia presentations, Falguni's diversity ranges from creating the 'Iron Shakti' concept for Kellogg's, to designing Alliance Francaise's first book written by an Indian, now in its fourth edition. "She is a very creative person," says Sudheer B. Tilloo, managing director of DGP Hinoday Industries Ltd for which she designed the logo as well as all its publications. "The stylised 'M' represents the magnetic flux of Hinoday's core business of magnets," Falguni explains. "It also provides a continuity with the company's original name, Morris." Falguni also produces Tetra Pak India's house magazine *Tetra Talk*, and created a range of interactive games for Kellogg – including a vertical magnetic jigsaw puzzle and 'Braino', a fully membrane, hi-tech, light-and-sound keyboard with five different messages. She also does work for the Tata Research, Development and Design Centre and the Centre for Learning Resources. The job she remembers most fondly, however, is a calendar she created for Unicef in 1993, depicting themes like education and equality. "Two years later, I found the visuals I had designed cut and hung up all over the *anganwadis* where the calendars were," she says. Falguni's specialised strengths in animation and graphics are proving to be an invaluable asset. On the core competency front too, the scene is far from dull. Improved design is helping his industrial clients despite the current recession, Gokhale claims. He is working on six more machines for Electronica alone. And at Nichrome Metals, according to a former executive, his design helped the company reach its current sales of eight to 10 machines a month.



Satish's wife Falguni's forte is animation, graphic design and synergistic activities

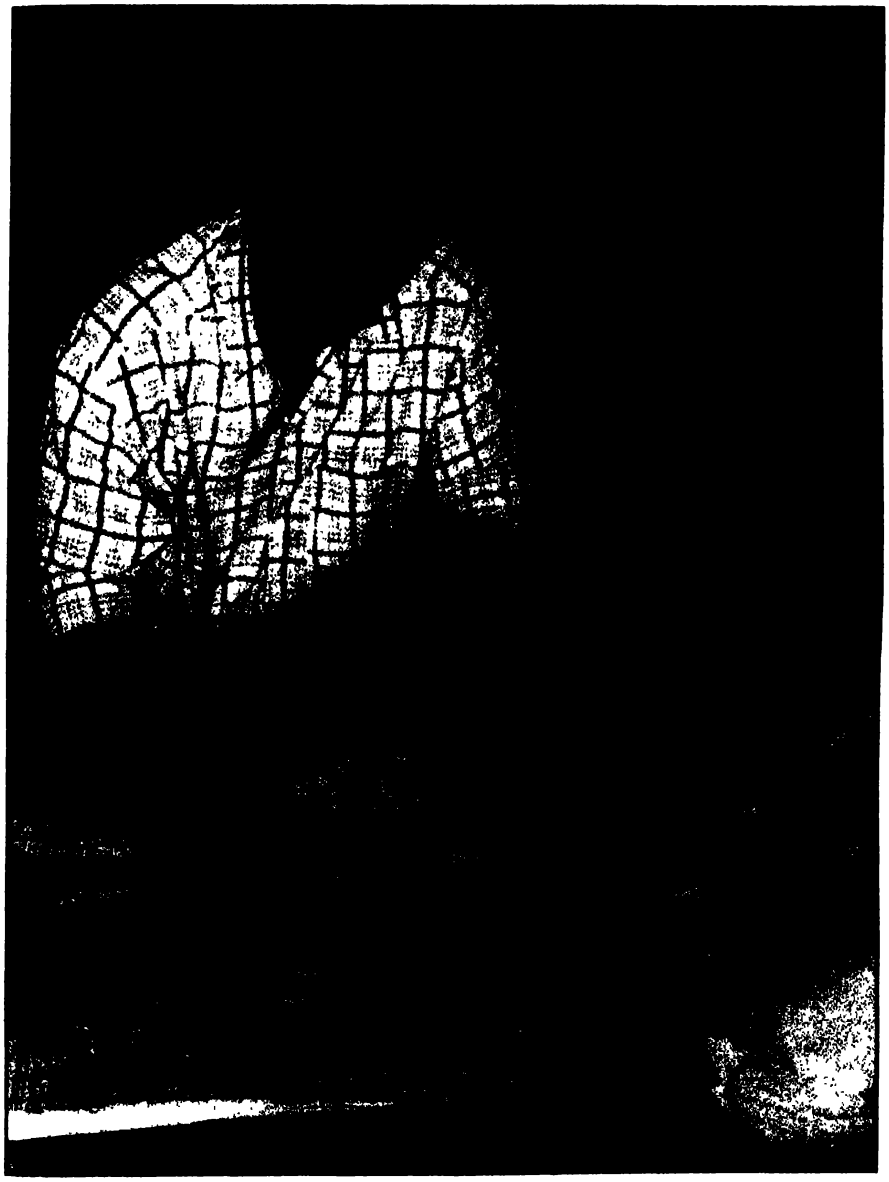
Vijay Menon, managing director of the Kolhapur-based Menon & Menon Ltd (MML), however finds the going tough for his plastic injection moulding machines despite Gokhale's designing. "He was able to bring a fresh outlook even to the design of a very conventional machine," says Menon. "When I showed the machine to some of our prospective customers they all opined that the design is highly futuristic. But I believe that his design was a little too futuristic for the Indian market, and that is why we were not able to exploit its positive features." MML has sold about 15 machines – but almost all of them have been trimmed to cut costs drastically. "All add-ons which do not functionally affect the machine had to be very reluctantly removed," he adds.

Gokhale says he is maintaining a fine balance between capital equipment, where development is going on but the industry is not doing well, and medical equipment, where there is great demand. He has also designed a range of other products, from a tablet dispenser for Fuchs of Germany to first-of-their-kind modular solar panels for a start-up company. "Design Directions were our brainstorming partners right from the beginning," says Nitant Mate, managing director of Ecosolar Systems (India) Ltd. "As an engineer, I could implement my totally new concept, which is the first in the world. But my product wouldn't have looked so good without Satish Gokhale."

◆ SEKHAR SESHAN

City of colour

Srikalahasti, a temple town in Andhra Pradesh, is famous for the intricate art of Kalamkari



A lot of care and detail go into the drawing and painting on the cloth

The Srikalahasti temple is situated on the banks of the Swarnamukhi river. Pilgrims who visit the Lord of the Seven Hills at Tirumalai stop by at this smaller temple, located four hours away from the city centre. It is the pure water of the river Swarnamukhi that brought the craft of Kalamkari to one of the adjoining villages of Kalahasthi temple called Agraharam. Adding colour to the dusty, muddy brown landscape of Kalahasthi are its Kalamkari artisans. However, like other crafts in Andhra, where skill is concentrated in a few families and flourished in the earlier times with royal and temple patronage, today Kalahasti Kalamkari has become a languishing craft.

Kalamkari is generally associated with the more popular block printed variety made in another part of Andhra Pradesh, Machalipatnam. In fact, the Machalipatnam Kalamkari has been creatively used for dress materials, *sarees*, *dhurries*, bedspreads and the like. Says designer Ranjan Sethi, "This is probably because block prints lend themselves to more creative use than the large religious icons of Kalahasti."

The origin of Kalamkari can be traced back to Mohenjodaro, where the first dyed textile was found. There is evidence available which suggests that Kalamkari work was exported to Europe as early as the 11th century AD. The demand then was for drapery bedspreads called *palangposh*, done on white background with matching canopies. This cloth was called *Chint* by the British. Those who worked with brushes and pens were called *Kalamkars* and those who block printed *chitsaz*. According to a member of the Crafts Council of India, this activity was earlier associated with the Tanjore region of Tamil Nadu with little work being done in Andhra. With European buyers giving their designs, the result was an amalgam of the East and West.

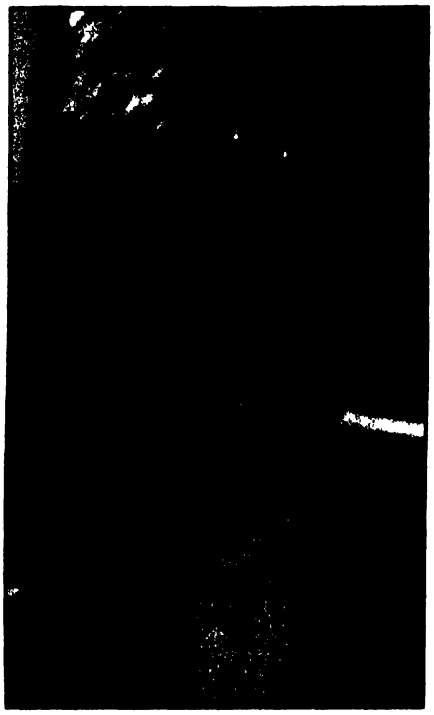
It was in the 19th century that the two cities of Andhra Pradesh became popular for their Kalamkari work, each with its distinct style. In Machalipatnam the artisans specialised in block-making techniques. Block makers are the master craftsmen who chisel the blocks of wood. The close affinity of Machalipatnam Kalamkari to Persian designs is universally acknowledged, says Lakhmi Raj, an old Hyderabadi, who works with these artisans. The handpainted art of Srikalahasti is, on the other hand, inspired by temples and flourished under their patronage. The designs were culled from the *Ramayana* or *Mahabharata*.

At Srikalahasti, we enter a narrow lane where 15 families work on the canvas. We stop at the house of G.K. Krishna Reddy, a 65-year-old master craftsman who has won laurels like the *Uthama Kalaradu* award from the Andhra Pradesh government and the Kalamkari award at the art exhibition held in Surajkund in 1993. Reddy explains the long and time-

consuming process involved in making each Kalamkari panel. Processing the cloth involves an elaborate method. The cloth, whether silk or cotton, is immersed in water to remove all traces of starch. It is then repeatedly dipped into a solution made of half-a-litre of pure buffalo milk and *karakkaya* (a forest nut) powder. It is dried in the sun for four hours and then left in the shade for a day till the cloth cools down, before any sketching can be done. Says Reddy, "The fat in the buffalo milk ensures that the colours remain fast on the surface."

Simultaneously, the pens, dyes and charcoal for drawing are also prepared. The charcoal is made by burning tamarind twigs available in plenty nearby. When the twigs are half-burnt and blackened, the fire is put off by using sand. Once these twigs cool down, they are used to sketch the figures. This charcoal is used to outline the designs, usually figures of gods and goddesses.

Manjula, Reddy's daughter, shows us the two types of *kalams* used. The pens are made from bamboo. A sharp-tipped one is used for reinforcing the outlines, while broader ones are used for filling in. The natural colours used are derived mainly from nuts obtained from the forest department. Black, for example, is obtained from a solution of rusted iron filings, jaggery and water kept aside without stirring for 15 days, while yellow is made from



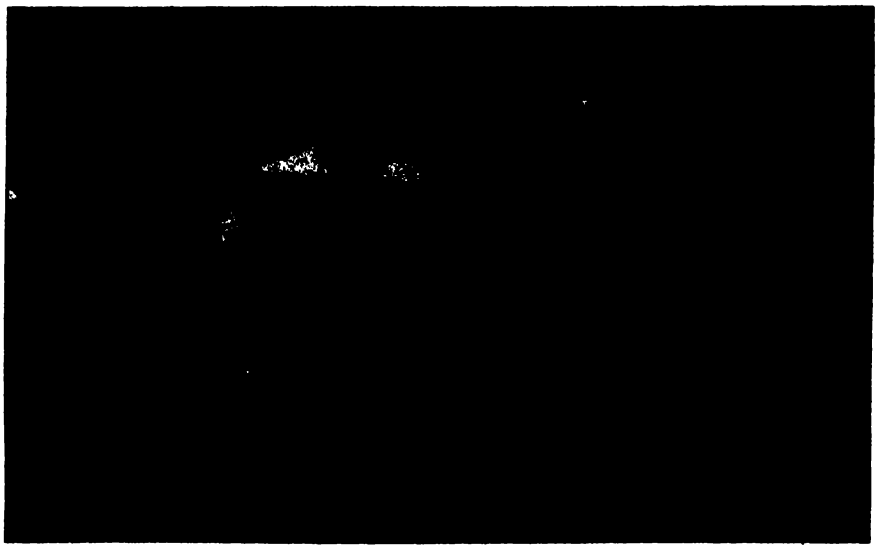
Marketing and innovations are necessary to keep Kalamkari alive, says Bilgrami

karakkaya flower powder. Besides this, the master artisans are experimenting with new combinations. They have discovered that light green can be obtained from mango bark; while tints of pink, lemon and brown can be derived from new combinations of various roots, herbs and barks. The colouring process has a fixed pattern. First the black, then red, followed by yellow and blue. After each colour is filled in, the cloth is dipped into the waters of the river and left to dry. "It takes about 20 days to prepare one panel," says Reddy.

Krishna Reddy's magnum opus is the *Sampoorna Ramayana*, a piece of Kalamkari work, measuring 36 by 16 ft, depicting the story of Rama and Lava-Kush. Believed to be the largest piece ever to be made in the age-old history of Kalamkari art, it took 17 other artists working under Reddy's guidance for six years to finish the intricately drawn work. Reddy had to study the Telugu version of the *Ramayana*, and meticulously research the topic before drawing these pictures. Reddy carefully pulls the heavy piece from a steel trunk. Four members of the family unravel its folds under the shade of a nearby banyan tree. And who will buy this piece? Reddy explains that it is impossible to fix a price for something so painstakingly executed. He has priced it at Rs15 lakh and hopes the government or a museum will acquire it. What if he finds no buyers? Reddy brushes aside arguments, "Life is not worth anything unless one dreams. And this canvas is fulfilling a dream of mine."

Says Uzra Bilgrami of Dastakar, Andhra Pradesh, who worked with an artisan co-operative, "One of the main problems is that the artisans are so isolated from the market." She explains that she has tried to introduce the artisans to themes depicted in earlier times. With the passage of time, these artisans have adopted easier themes and the characters have became more human, she says. Her work with a small co-operative of six artisans also included workshops on natural dyes.

The biggest problem for these patronage arts is the market. Government shops like Lepakshi have cut down their orders, while sometimes the artisans' payments are delayed for long periods. "Yet, on the other hand, every time I carry these Kalamkari hangings to London, they get snapped up in a jiffy. Concerted marketing, and innnovations in design have to be done simultaneously. Only then can this art be perpetuated," says Uzra, the voice of practicality among the dreaming Kalamkari artisans.



Srikalahasti Kalamkari usually depicts figures from the scriptures

• MEERA SHENOY

Agonistic agenda

The Maharashtra government has to guard against internal conflict and attacks from the saffron brigade

It was a potent brew of rancour, upstaging, sulking and ego clashes that spawned Maharashtra's 61-strong airbus ministry of Congress chief minister Vilasrao Deshmukh and his doughty deputy from Sharad Pawar's Nationalist Congress Party (NCP), Chhagan Bhujbal.

Over three weeks after the results of the legislative assembly polls were announced on 8 October, the chief minister and his deputy were yet to allocate portfolios till the time of going to press. Another precedent that could well have been avoided was the size of the ministry that surpassed the hitherto largest one headed by Vasantdada Patil in 1977-78. The NCP boycotted the cabinet meeting on 28 October where the portfolios were to be announced, deferring this task even further. Curiously, the party was protesting against the bulkiness of the ministry that comprises half its own legislators.

Indulgence was the name of the game as the razor-thin majority dispensation had to bend over backwards to accommodate all its supportive sections in order to survive. But considering the expenditure on residential and official accommodation, personal staff, vehicles, security and the attendant perks and amenities for each minister in an expensive metropolis like Mumbai, the fledgling government's avowal of remedying what it charged was a ransacked state treasury by its predecessor sounded unconvincing. And even as the government acknowledged that Maharashtra was reduced to virtual bankruptcy, thanks to the profligacy of the previous Shiv Sena-Bharatiya Janata Party regime, it sanctioned Rs25 lakh for a new Mercedes Benz for the Governor, Dr P.C. Alexander, from the state's contingency fund.

In a state where even the most basic amenities like clean drinking water and sanitation continue to elude vast sections of the populace, such largesse seemed misplaced. "There are any number of luxury models in the market that are available at a fourth of the price and which could just as well have befitted the office of the Governor," remarked a senior bureaucrat. Other contingency allocation was of Rs3.11 crore towards VIP security.

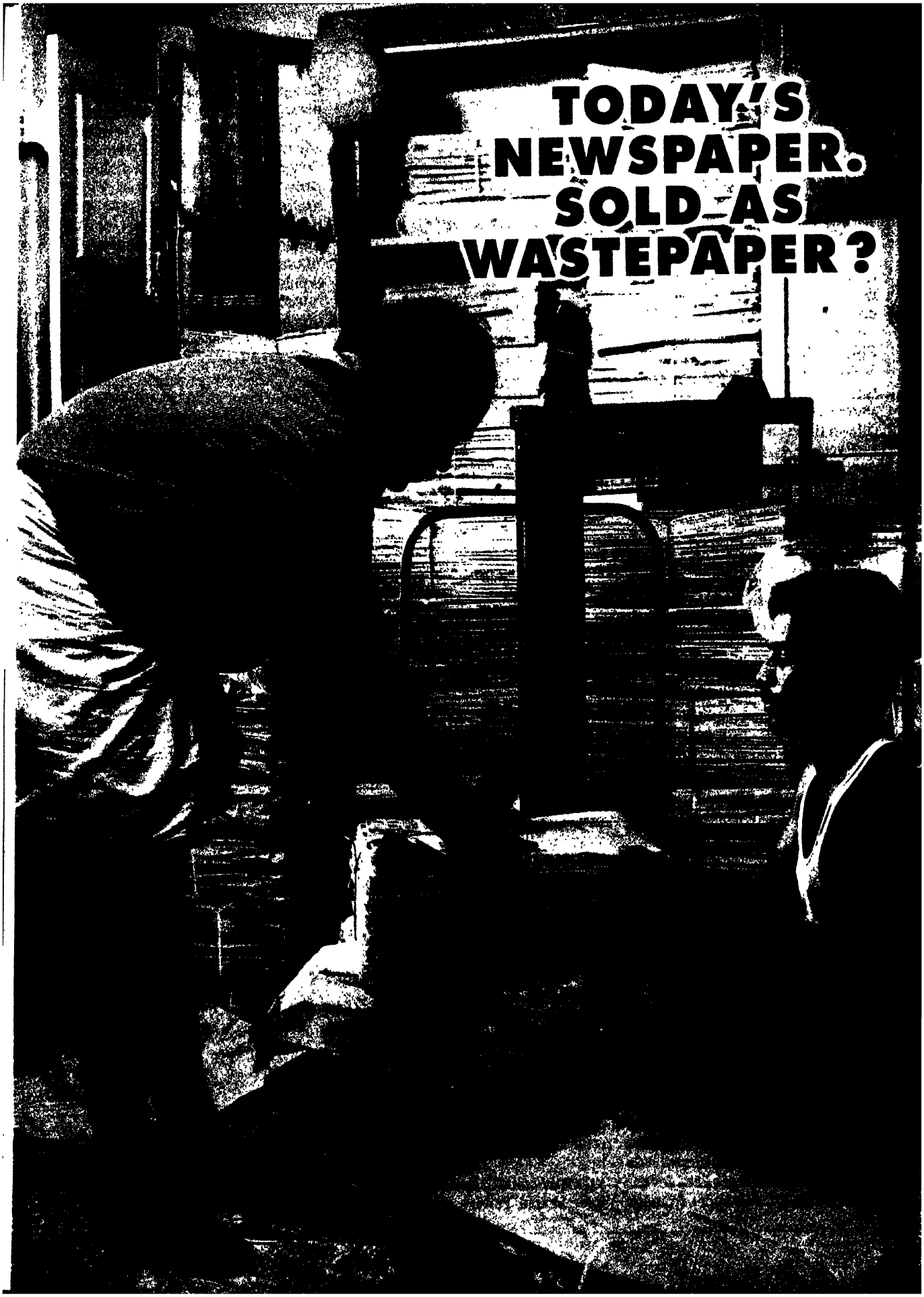


Deshmukh and Bhujbal have to hold a tenuous alliance together

The stitching together of this tenuous alliance finally blew the lid off the four-and-a-half years of aggrandizement and mismanagement that had come to characterise Maharashtra's maiden experiment with right-wing rule. The results of October's state legislative assembly election were, however, not emphatic enough to scuttle all hopes of the saffron combine of returning to power. Helped primarily by a divided challenge from the Opposition precipitated by Maratha strongman Sharad Pawar's split from the Congress, the Sena-led poll alliance managed to garner 125 assembly seats, 69 of them of its own and 56 of its poll ally, the BJP, in a house of 288. While the Congress emerged as the single largest party with a tally of 75, Pawar's NCP secured 58. In the March 1994 elections, the respective tallies of the Congress, BJP and Sena were 81, 65 and 73, the last rendered 70 by three expulsions.

Political observers believe a united Congress could well have steamrolled the Sena-BJP challenge into oblivion. Even so, the party, together with the NCP, gained 69 per cent of the votes between them. Christening itself as the *Lokshahi Aghadi*, or Democratic Front government, the painstakingly forged alliance sought to draw a distinction between itself and its discredited predecessor, which had claimed to espouse a *Shivshahi* administration, ostensibly modelled on the statecraft of its 16th century Maratha icon, Shivaji Maharaj. At his traditional annual Dassera rally at Mumbai's Shivaji Park on 19 October, Sena chief Bal Thackeray indicated that the saffron alliance had lost because the polls were held in the midst of the monsoon and hordes of his party's traditional voters were away in their hometowns to celebrate Ganesh Chaturthi. He nevertheless stated that it was a case of victory-in-defeat for the Sena-led government, though no one understood what he meant by this.

Thackeray's theory could not gloss over the fact that the mandate was largely anti-incumbent. The fractured verdict spurred an agonisingly prolonged struggle for power. Indeed, at one point it appeared as if Maharashtra would come under President's rule if the new Council of Ministers was not formed latest by the morning of 18 October. "I must have the Council of Ministers latest by 18 October morning when I will need to issue summons for convening the legislative assembly," said the Governor, whose official


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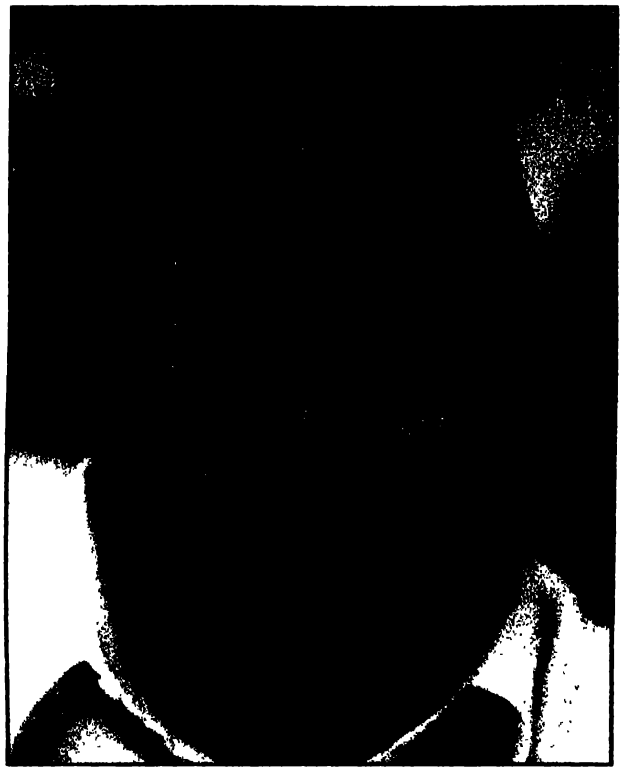
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*Thayer, expert in Newspaper Business Management at the University of Wisconsin newspapers 'force' circulation figures.

residence of Raj Bhavan became an important focal point for all claimants to power as well as a venue besieged by increasingly restive and impatient press persons.

While the then Sena chief minister, Narayan Rane, and his deputy from the BJP, Gopinath Munde, staked their claim soon after the results were declared, they could not muster the figures to buttress it. They underscored their claim by pointing to their pre-poll alliance. The Congress, meanwhile, sought recognition as the party with the single largest mandate. But for actually attaining power, it needed to marshal support from its estranged rival, the NCP. The NCP, in turn, saw its own possibility of coming to power only by riding piggy-back on the Congress, branded as it was by Thackeray as anathema to the Hindutva alliance. Besides, the combined strength of 133 seats of the Congress and the NCP rendered their task that much simpler in coming up with the magic figure.



Pawar hopes to call the shots within the new dispensation

Pawar had a Hobbson's choice: to swallow his pride and forge an alliance with a party which he had deserted only some months ago on a matter of high principle, namely, Congress president Sonia Gandhi's foreign origins, or to have his incipient NCP cannibalised by the Congress or even the Shiv Sena or the BJP, depending upon the enticements held out to his party legislators. There were, in fact, reports that Rane was attempting to wean away nine NCP MLAs to the Sena. Others spoke of Pawar plunging into clandestine confabulations with the BJP in a bid for power, alienating his *bete-noire* Thackeray enough to threaten the BJP-led Vajpayee coalition by directing newly sworn in Sena ministers, Manohar Joshi and Suresh Prabhu, both of Union Cabinet rank, and Balasaheb Vikhe-Patil, minister of state, not to take charge of their ministries.

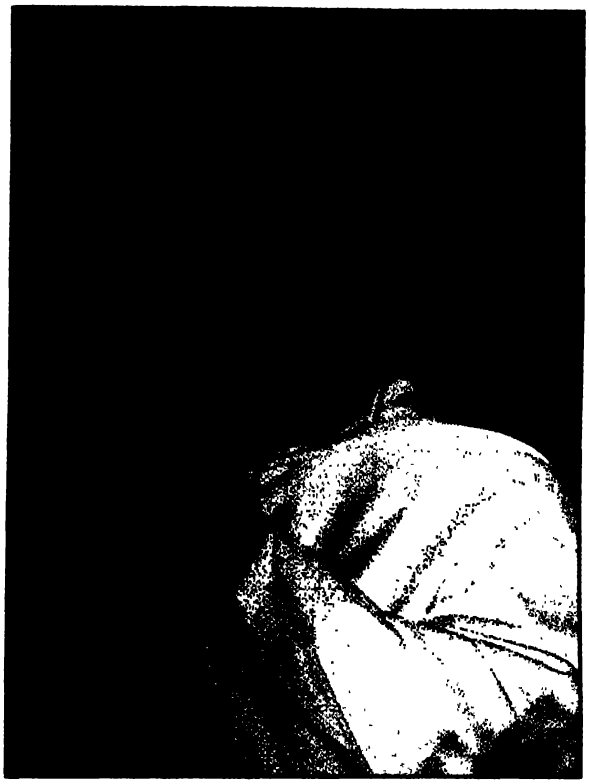
Even after the hatchet was reluctantly buried by the Congress and the NCP, the Congress central leadership's nomination of known Pawar baiter Vilasrao Deshmukh as leader of its legislature party and another Pawar antagonist, Suresh Kalmadi, as a key negotiator threatened to derail the talks. Their engagement evolved into a battle of wits. But, fortunately for them, the Sena-BJP too appeared to be caught in a bind in their lunge for the desired majority. In the final analysis, the former won with a credible enough list they presented to the Governor which had the support of the five Peasants and Workers' Party (PWP) MLAs, three from the Bharatiya Bahujan Mahasangh (BBM), and two each from the Samajwadi Party (SP), the Janata Dal (Secular) and the CPM, in addition to an independent elected with JD (S) support and the Republican Party of India (RPI) with one seat.

The Sena-BJP, in contrast, submitted a list that evidently was not too convincing for the Governor. Apart from their 125 MLAs, they claimed support of three single-MLA parties, namely, Anil Gote's Samajwadi Janata Party, Baba Afran's Gondwana Party and the Native People's Party of the alleged notorious convict and MLA from Ulhasnagar, Suresh "Pappu" Kalani, apart from eight independents. To surmount the majority figure of 145, they claimed they had been assured support by seven MLAs on the floor of the house as also "oral support" by four other independents. All this was compounded by the simmering discontent that was threatening the Sena-BJP's own unity, with Munde making known his candidature for the chief ministership. It required the intervention of Prime Minister Atal Behari Vajpayee and home minister L.K. Advani to coax Munde out of his obduracy, but by then Rane was outraged and blamed Munde's stonewalling as the major impediment to their return to power.

The Congress-NCP's pathway to power, too, was fraught with potholes. Even when the question of chief ministership and deputy chief ministership was resolved, differences arose over the distribution of key portfolios like home and energy. Finally, on 18 October, Deshmukh was sworn in as the 21st chief minister of Maharashtra together with Bhujbal who was sworn in as deputy CM.

There was also disagreement over equitable share of portfolios as opposed to proportional share. Aggravating the issue was the Congress's obligation to consult on most matters with its "high command" in Delhi, namely, Gandhi and AICC general secretary in charge of Maharashtra, Madhavrao Scindia. The NCP negotiators, too, needed to keep Pawar informed about all developments. The Congress was also rocked by the threatened revolt by chief ministerial aspirant Ranjit Deshmukh, a senior leader from Vidarbha who claimed the support of the 30 party legislators elected from this region. His revolt evaporated soon enough with Gandhi's intervention and assurance of a berth in the ministry. Queering the pitch was the untimely death of the 50-year-old minister-designate and former law and general administration minister and state minorities commission member Marazban Patrawala, who died on the day the session convened, on 20 October.

These hurdles delayed the swearing in of the first batch of 26 ministers, including 12 of Cabinet rank, till 19 October, and even then the portfolios that Deshmukh proposed to announce after the swearing in failed to materialise. He had to rush off to Delhi to consult with his higher-ups on this question and so did Bhujbal. The announcement was then to have been made after the swearing in of the remaining batch of 33 ministers on 27 October, 13 of them of Cabinet rank. But it was once again deferred owing to the controversy stirred by the inclusion of Pawar acolytes R.R. Patil, Ramkrishna More and Dilip Valse Patil, who were conferred Cabinet status despite having had no legislative experience earlier, and of another Pawar confidant, Datta Meghe, who in fact lost the election from his Wardha constituency. Pawar evidently wishes to ensure that he holds tight the reins of power in Maharashtra. Meanwhile, these ministers without portfolios spent the days enjoying the perks of their government office, without actually undertaking any work.



Thackeray will not rest till he pulls the new government down

The Deshmukh ministry also accommodated some of the independents who got elected on Sena-BJP support. This provoked Thackeray to ask the Democratic Front government, through his party mouthpiece of *Saamna*, as to how these legislators, whom it had accused of corruption, were now "sitting in its lap". He was referring to Babanrao Gholap and Sitaram Ghandat, who had been accused of involvement in the Awami Bank and Abhudaya Bank scams, respectively. The other independents who switched their allegiance were Harshvardhan Patil, Anil Deshmukh, Digambar Bagal, Sanjay Deshmukh, Ajit Ghorpade, Babasaheb Gorthekar, Vasant Itkelwar, Hitendra Thakur, Dharmarao Atram and Vinayak Jadhav Patil.

A particularly heartening feature for the new government was the ease with which it cruised through the crucial 22 October Speaker's election. Its candidate, Arun Gujarathi, was elected by 154 votes compared to the Sena-BJP's Girish Bapat who managed only 132, indicating cross-voting by four of their supporters.

Rane had claimed the NCP-Congress ministry would be unseated at the time of the Speaker's election, after having earlier maintained it would collapse under its own contradictions during the protracted negotiations. He must have been even more disturbed by the 23 October confidence vote where the ruling party covered new ground. Now the Sena-BJP opposition warns that though it lost the Speaker's election and the confidence motion, it will not be easy for the ruling alliance to continue in power.

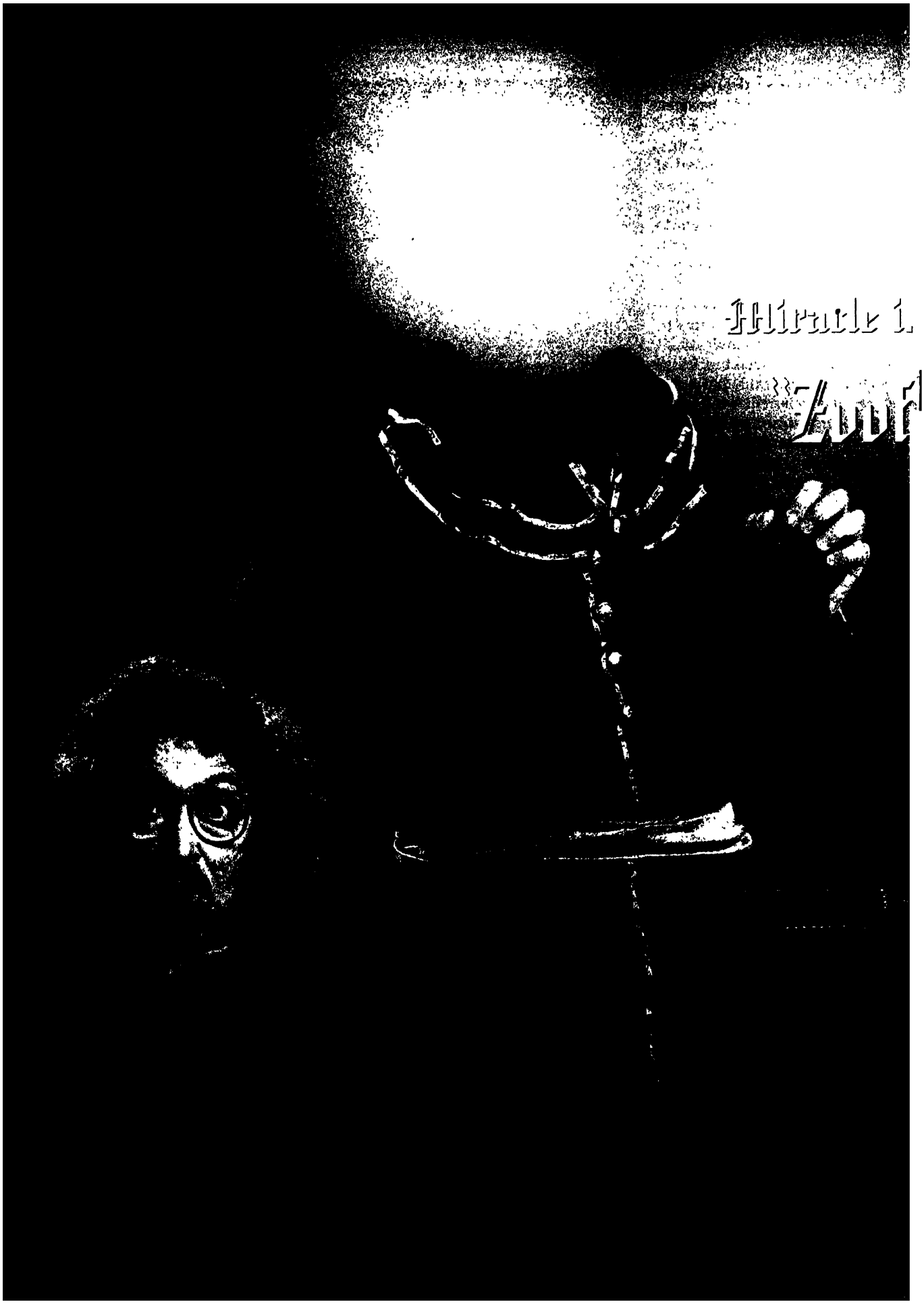
This is one premise on which the newly-constituted government might agree. But it has already set about defining its priorities which immediately concerns rectifying Maharashtra's financial plight, on which it has planned to issue a white paper. Deshmukh was informed by his finance and planning department that the previous regime had depended enormously on borrowings, which had spiralled to Rs37,226 crore in 1999-2000 from Rs12,768 crore in 1993-94. Non-development expenditure too shot up to 77.6 per cent, while development expenditure showed a negative growth of 9.7 per cent. Bhujbal felt the "indiscriminate borrowings" had exceeded Rs50,000 crore. It is reported that even the November salaries and Diwali bonus of the state government employees are in jeopardy and that the government was thinking of drastically pruning the Plan size to partially make ends meet.

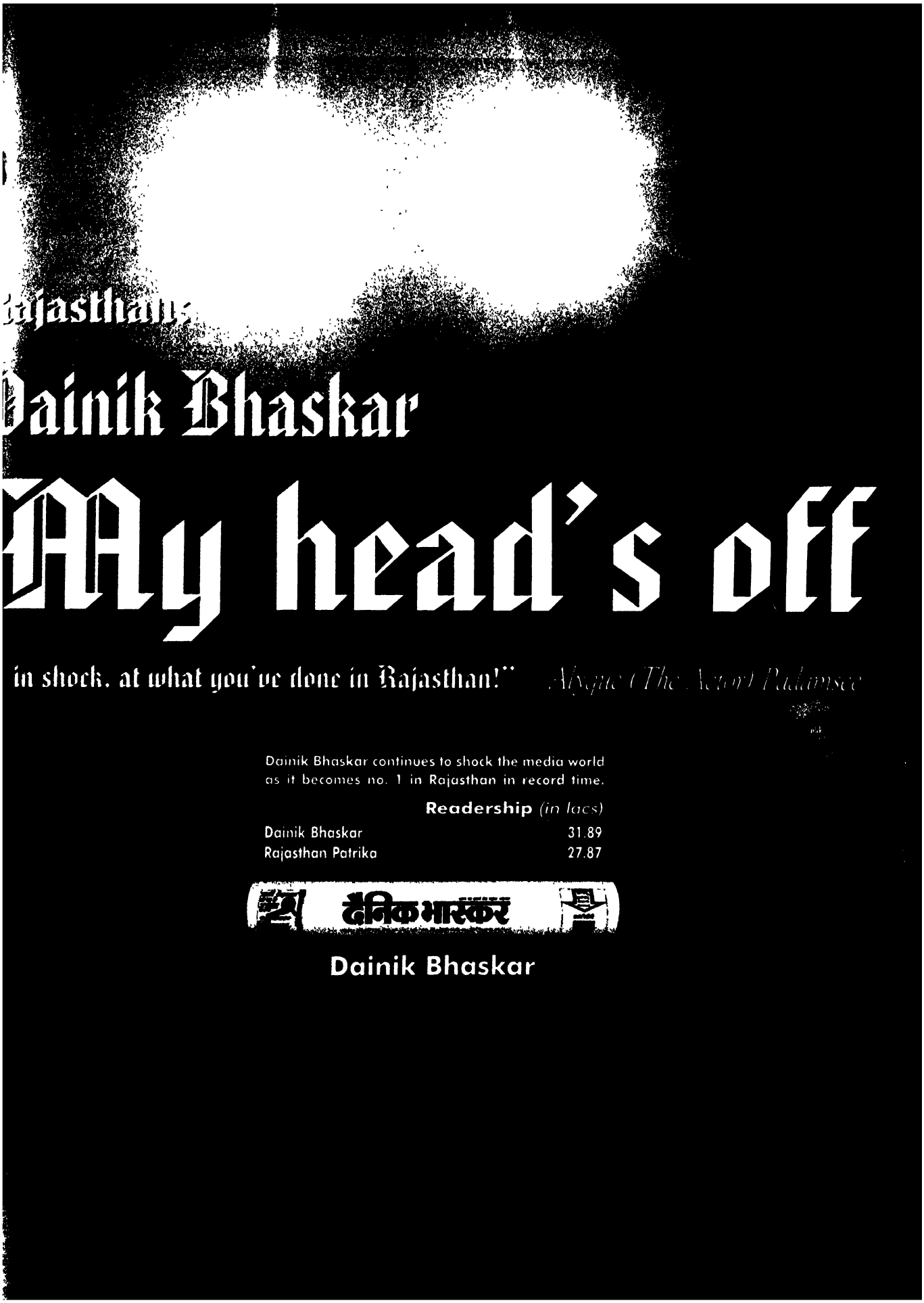
Rane has dared the Democratic Front government to come out with a white paper on the financial status of the state, claiming that his government had raised Rs45,000 crore from the open market solely for completing infrastructure projects. According to him, the state also had to borrow for providing drinking water, irrigation projects, new roads and electric power because the previous Congress governments had failed pathetically in this regard.

Another flashpoint in the offing is the niggling question of implementing the Srikrishna Commission recommendations on the 1992-93 communal riots in Mumbai. The previous saffron regime had rejected the report as the one-man inquiry commission had indicted Thackeray, and had also wound up the state minorities commission which the Deshmukh government lost no time in restoring. While the new regime will need to be assertive on this score to reaffirm its secular credentials, Thackeray has warned of mayhem and street rebellion if the authorities were to so much as touch him.

Needless to say, the primary priority of the *Lokshahi Aghadi* will be to survive and hold itself together, for it is replete with inner contradictions and vulnerable to the exertions of an opposition whose craving for power — and a return to it — is self-mortifying. On the credit side, its inherent tensions will ensure mutual scrutiny on each decision that a minister takes.

• SAROSH BANA


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Solving health problems

An NGO takes healthcare to the grassroots



Pushpa Jadhav is a 35-year-old semi-literate housewife who belongs to the Maratha community of a village situated in the Purandar district of Maharashtra. What sets her apart from the other women of the village is that the villagers want her to contest the Panchayat elections. This is the result of her relentless efforts to provide healthcare to the community.

For the last two years, Pushpa, along with 39 other women, has been undergoing intensive training in diagnosis and treatment of common illnesses which afflict the people of her village. But she had to wage a battle on several fronts before she was given her due. "Initially, there was a lot of resistance to what I was doing especially from my own family," recalls Pushpa. "But the moment they saw that the treatment was safe and that it saved them time and money, they became supportive. Gradually other members of the community began to approach me with their complaints."

Pushpa is a community health worker (CHW) catering to a population of 250. There are 40 trained CHWs like her in the Purandar district. Known in the local community as *'tais'*, they have been handpicked by the Foundation for Research in Community Health (FRCH) for implementing a carefully devised alternative healthcare model. Dr N.H. Antia, who heads FRCH, explains the rationale behind the choice of the locale as well as the staff. "Purandar taluka comprises plains as well as mountainous regions so we are able to get a first hand experience of working in different geographical terrain." The CHWs are semi-literate, married women residing in the villages of Purandar. "The entire model has been based on an earlier experiment conducted in Mandwa, a coastal village near Mumbai, in the 1970s and the 1980s," explains Antia. "We saw remarkable success in Mandwa and achieved some of the health targets set for the year 2000 by the Government of India by the year 1985 itself. We are implementing a similar model now in Parinche."

About 65 CHWs are currently being trained by FRCH personnel in Parinche village situated in Purandar. Of these, about 40 work intensively within the community. The *'tais'* are trained in the diagnosis and treatment of common ailments like fevers, dysentery, aches and pains and some infections. "It is a symptomatic diagnostic pattern," explains Dr N. Mistry of FRCH. "The *tais* are taught to identify the problem based on symptoms. For instance, if the patient is complaining of fever, the *tai* has been taught to diagnose whether it is viral or malarial based on the symptoms and medicate accordingly."

Each *tai* is equipped with a kit containing drugs which have been classified by the World Health Organisation as being 'over the counter drugs' or drugs that can be sold without a prescription. The CHWs also perform routine pathological tests to test for haemoglobin, albumin, urea, pregnancy, blood groups and malaria. During the training programme, each CHW attends sessions thrice a week and is paid about Rs20 (daily wage for a day's work in the fields). The CHW charges people who approach her with complaints a nominal fee. The model is thus a self-sustaining one in the long run.

Training village women to deliver basic healthcare addresses issues on various fronts. Given the inaccessibility of the government primary health centre (PHC) especially from villages in mountainous terrain, a trained medical worker can administer treatment until such time that the person is taken to the PHC or the nearest hospital.



Sulekha travels miles for her training



One of the tais *handing out medicine*

One of the *tais* who has recently enrolled for the training programme at Parinche hails from one such village. "I have to walk down the hillside for about an hour before I reach the bus stop and then there are only two buses a day. The bus ride here (nearest PHC) takes another hour. During emergencies, we hire tempos which charge us about Rs300 to get here," explains Surekha who hopes to acquire some training so that she qualifies as a CHW in her village. Secondly, the *'tais'* find themselves more accountable to the community than a government doctor who doesn't belong to the community or even reside in the particular village.

"Our model is based on the Kerala model of women education. The difference here being that we are disseminating health-related information to women," explains Antia. The link between women's education and overall development has been clearly demonstrated in Kerala. Consider one simple indicator. According to the latest World Development Report, the infant mortality rate in India is 71 per 1,000, in Kerala it is just 16 per 1,000 and this compares very favourably with countries like the US where the IMR is 7. But a look at the huge difference in the expenditures incurred says it all. An American spends $4,093 per annum on health as opposed to the Keralite who spends $18 per annum!

While the efficacy of the healthcare system in Kerala is obvious, what stands out as odd is that as much as $18 (per capita per annum health expenditure in India) is being spent by an average Indian every year on healthcare. This, in a country which professes free healthcare. An estimated 5.6 per cent of GDP is being spent on health. Compare this with China which spends just 3.8 per cent of GDP on health and fares better on practically every arena of healthcare. The FRCH model has looked into the components of this expenditure and recommends a strategy that cuts it down by nearly two-thirds even whilst achieving much better results.

The model begins with the training of village women to function effectively as CHWs. This alternative system of decentralised healthcare covers up to 85 per cent of all health problems and encompasses preventive and curative health functions. This computation excludes infrastructural costs like PHCs and rural hospitals since one of the key features of this model is that it aims at utilising existing infrastructure more efficiently.

The model comprises about three tiers of personnel starting with the CHW, the next rung comprising the auxiliary nurse midwife and the third rung comprising the primary health centre with its attendant doctors. Typically the kind of curative services offered by the CHW would be treatment of minor ailments like gastroenteritis, coughs and colds, aches and pains, cuts, burns and bruises, scabies, worms, malaria and also treatment of confirmed cases of leprosy at the village level. The ANMs, on the other hand, will serve a much larger population and are expected to supervise and reinforce the CHWs, examine cases referred by the CHWs, conduct deliveries and undertake immunisation programmes. The PHC doctor, on his part, is expected to handle all referred cases, perform minor surgeries and pathological tests.

There is thus a clear division of responsibilities commensurate with the technical training of personnel. The induction of *'tais'* at the village level ensures that treatment is accessible in the first stage of the illness itself and it takes the load off the PHC which is often burdened with common ailments which could have been dealt with at the village level itself. It also releases the PHC infrastructure for more serious ailments and patients in need of hospitalisation. Some results of the experiment at Mandwa are as follows:

FRCH estimates that the per capita cost of healthcare in the Parinche model would be Rs300 as opposed to the current per

Right cure

	National figures (1979 or nearest year)	Mandwa year (1980)
Crude birth rate	33/1000	25.5/1000
Crude death rate	15/1000	10/1000
Infant mortality rate	122/1000	52/1000
Immunisation coverage (triple antigen 2nd dose)	28%	75%
Maternity care (% of deliveries conducted by untrained *tais*)	80%	49%
Control of leprosy (% under regular treatment)	20% (estimate)	70%
Control of tuberculosis (% under regular treatment)	30% (estimate)	75%

Draft Sixth Plan, Vol 3

capita expenditure of Rs810. The main cost saving would be in the fees paid for medical services.

A substantial portion of the amount spent on visiting doctors is in travel. The accessibility which the Parinche model emphasises also results in early diagnosis, treatment and minimisation of chronic conditions. Additionally, the *tai* also runs playschools or *balwadis* for the children of the village, again for a fee. Her duties also include imparting education on hygiene and disease prevention to the women of the village. FRCH has also started a microcredit programme where the rate of interest charged is lower than what the local money lender charges. Moreover, there is no insistence on collaterals and the money can be returned in instalments. Says Shanta Kengre who availed of a loan of Rs1,000 from the microcredit programme, "Paying in instalments really helped since I had enough money left over each month to buy better food for the family. The money lender has no such instalment programme and after paying the lumpsum with their hefty interest rates, there is no money left for anything."

Become self-sufficient

The Parinche project is expected to wind up in the next few years once the training programmes are completed. The project will then be handed over to village committees by FRCH. But will the healthcare system actually take root once the NGO has left? "Why do you think we waited until 1995 to start this project in Parinche?" queries Antia. "The reason is that Panchayati Raj institutions came into being as per the law in 1993 and this project depends entirely on panchayati *raj* mechanisms. The authority to legislate on 29 subjects which includes health has been transferred to the Zilla Parishad. This project has been conceived within this context. It is a project for the people and they will have to make it work for themselves without any imposition from any central authority. Isn't that what panchayati *raj* is all about? The mechanism is in place now, it is only a question of time before the power will actually be in the hands of the people."

st-effective solutio

Cost (in Rs) per episode of	*Tai*	Doctor
Respiratory problems	25	302
Diarrhoea	50	279
Fevers (98 percentile)	64	450
Muskoskeletal problems	15	540

While the theoretical basis for the project is sound, ground realities don't seem quite conducive to projects like these. The Gram Panchayat in most villages is practically defunct, for one. "Most of them are running away from the fact that they have to take responsibility for themselves," retorts Nanasaheb Patil, secretary, public health, Government of Maharashtra. "The Gram Panchayat even has the powers to collect taxes from the people of the village and the Zilla Parishad has complete administrative and financial control over PHCs, PHC subcentres and ANMs. So why don't they take the initiative and exercise these powers?" he questions. The answers could be debated endlessly but projects like the one at Parinche certainly throw light on the issues that confront Panchayati Raj.

Activists like Dr Amar Jesani of CEHTA, a Mumbai-based health research organisation, point to other factors that confront the working of community-based health models. "There are certain structural issues. If the leadership at the local level represents the interests of the dominant community, then people who don't belong to that community will get sidelined, so you really can't talk of panchayati *raj* in isolation without undertaking social reform measures. On the flip side, providing power to the Panchayat could also trigger social reform."

Dr Jesani was part of a study group which looked at community-based healthcare models in the early 1980s. The group came up with some interesting findings. "It was found that the CHW is ultimately able to reach only 5-10 per cent of the population, though theoretically she is supposed to deliver healthcare to about 80 per cent. This is because after the initial phase of scepticism when the CHW has done all the groundwork and actually begins to see results, private healthcare services begin to mushroom in the area and very often people setting up their practice are not even trained doctors. They lure the community members with 'quick relief' measures like administering injections, which is beyond the scope of the CHW's functions." Dr Jesani also points to the fact that the success of these systems also depends on good referral support i.e. PHCs and rural hospitals which are ill-equipped at the moment. Factors like these hamper the efficacy of these models in the long run, argues Jesani.

All said and done, the Parinche project is a concrete step towards acknowledging that the government health infrastructure is functioning way below efficiency. Besides, it is critically important to ensure access of basic healthcare to the community and the importance of having trained health workers in inaccessible areas was brought to the fore with an incident that shook the people of Purandar taluka a few months ago. In the village of Kondke Wadi situated in hilly terrain, a family lost two children within days. Twelve-year-old Vaishali Kondke died of neglect and dehydration due to gastro-enteritis while her mother was admitted at the PHC after a miscarriage which occurred whilst mending the roof of the house. A trained health worker at Kondke Wadi might have been able to save at least one of the lives, if not both.

• PRIYA SRINIVASAN



A tai conducts a pathological test

Take heart, there's hope

Ramipril, a drug developed for controlling hypertension, has sprung a pleasant surprise by also proving to be a lifesaver for those suffering from cardiovascular disease

It does happen at times that a drug developed for a particular use is found useful for other purposes as well. Aspirin, for example, was developed in 1896 by Dr Felix Hoffmann, a scientist working for Bayer, as a pain reliever for his father who suffered from arthritis. Even today, it is one of the best drugs available for arthritis.

However, almost 70 years later, it was found to have anti-coagulating properties, making it a popular drug to be taken regularly as an effective preventive measure against a second stroke or a heart attack. More recently, aspirin has been found to be useful in treating colon cancer. These multiple applications have naturally earned aspirin the tag 'wonder drug of the century'.

The big news today for cardiovascular patients is that Ramipril, a drug developed by Hoechst-Marion-Roussel for hypertension, has found application as an effective preventive measure against heart attacks and strokes. The details of the study were made public at the 21st Congress of the European Society of Cardiology at Barcelona, Spain, by Dr Salim Yusuf, internationally known cardiologist of Indian origin. Hundreds of cardiologists assembled at the recently concluded 'International Conference on Heart Health in the Developing Countries', held at the All India Institute of Medical Sciences (AIIMS), Delhi, hailed the results of the painstaking study done by Dr Yusuf and his team at the McMaster University, Hamilton (Canada). The reason is simple. The popular impression that heart disease is a rich man's disease and hence a priority area for the richer countries, whereas other things are more important for developing countries is wrong.



Dr Yusuf brings good news for thousands suffering from heart disease

According to Dr K. Srinath Reddy of AIIMS, by 2020 AD, over 6 million people in the 30-69 age group will die every year in developing countries due to heart attacks, brain strokes and rheumatic heart disease. All these are classified as cardiovascular deaths. Today, in India alone about 9,50,000 people die every year due to cardiovascular disease. "Increasing life expectancy, foetal malnutrition, urbanisation and increasingly stressful life styles are all contributing to this growing epidemic," he says.

Dr Yusuf's team has conducted very detailed study over $4\frac{1}{2}$ years, covering patients spread over 19 countries. The sample included 2,545 women and the overall background of the patients was that 7,676 had coronary artery disease, 3,657 were diabetics, 4,421 were hypertensives, 1,800 had peripheral vascular disease and about a 1,000 had a previous stroke. "We had done animal studies with Ramipril and the results were encouraging. However, without human trials one cannot come to any conclusion," says Yusuf. The study, known by an acronym HOPE (Heart Outcomes Prevention Evaluation), showed that continuous usage of 10 milligrams of Ramipril led to 22 per cent reduction in cardiovascular death or debilitating heart attacks. That is, if used appropriately, Ramipril can prevent a million deaths a year, all over the world. Obviously, it is a great shot in the arm for Ramipril's discoverers and marketers like Hoechst-Marion-Roussel and Astra Zeneca. This new hope for heart patients has been around as an ACE (Angiotensin Conversion Enzyme) inhibitor.

According to Dr B. Rangoonwala, a former researcher with Hoechst AG in Germany, "Simply put, vascular tissue, as in the blood vessels, produces a substance known as angiotensin-I, which is an inactive substance. However, when a particular enzyme acts on angiotensin-I, it gets converted to angiotensin-II. This new substance, however, is pretty active and induces constriction of the blood vessel. This is a pretty useful defence mechanism for the body to cut the blood supply to an area with a cut, etc. But in a person suffering from high blood pressure, angiotensin-II can do a lot of damage as the constriction of vessels leads to even higher blood pressure." Drugs like Ramipril were thus developed to inhibit the enzyme that converts angiotensin from the passive form to the active one, and hence the large panegyric, ACE inhibitor.

There are several ACE inhibitors in the market such as enalapril, captopril etc. The HOPE study was conducted for Ramipril only. Yusuf believes that other ACE inhibitors too might have similar positive effect. However, the complexities of such studies and the long period of observation involved and hardly any patent life left in the other molecules might make similar studies using other molecules unattractive. Meanwhile, Hoechst - Marion-Roussel executives might reduce their own hypertension as they laugh all the way to the bank. In fact, there is a possibility that HMR's plant in India might become a global sourcing asset for Ramipril.

• SHIVANAND KANAVI

Privatising production

A marketing initiative aims at commercialising the ordnance factories' large capacities and quality-consciousness

Chemicals. Explosives. Uniforms. Parachutes, tents, and other adventure tourism and camping paraphernalia. Vehicles and components. And, of course, arms and ammunition, for sports and self-defence, the paramilitary forces, and friendly nations' armies. The Ordnance Factory Board (OFB) hasn't exactly opened a supermarket with these products on the shelves; but all of them, and more, are available for civilian buyers.

Like any other marketer, OFB advertises for sale, say, the Ishapore Rifle Factory's .22 sporting rifle at a retail price of Rs16,500. The Ordnance Factory (OF) at Muradnagar touts its armoured steel and alloy steel castings, and CNC machining and tool-room facilities. The Ordnance Clothing Factory at Shahjahanpur is hawking combat uniforms, camping equipment, and 'high-fashion' garments in virtually the same breath. The most high-profile civil launch of all, the Jonga, has yet to take off despite the fanfare with which the Vehicle Factory Jabalpur (VFJ) introduced its three modified variants a few years ago.

"In 1993–94 the Army felt it could utilise the big workforce of the then 25-year-old VFJ to take advantage of the big boom in the vehicle market," says OFB chairman D. Rajagopal. "But once the orders started coming we realised the problem: people look at the outside." The Jonga wasn't a glamorous vehicle — it would need a very costly cab-making die, and 'fabulously' costly press tools, to meet expectations.



No dhaba *food, says Rajagopal*

A market survey is now on for new models with the same basic configuration but different versions. Even for the Army, the traditional 108-horsepower petrol-guzzling engine is likely to be replaced with a more powerful diesel engine specially re-engineered for use at high altitudes. "We already have a collaboration with Ashok Leyland and Telco to assemble vehicles chosen by the Army, and 600 of these have been supplied all the way up to Udhampur in Jammu & Kashmir every month for the last $1\frac{1}{2}$ years," Rajagopal says.

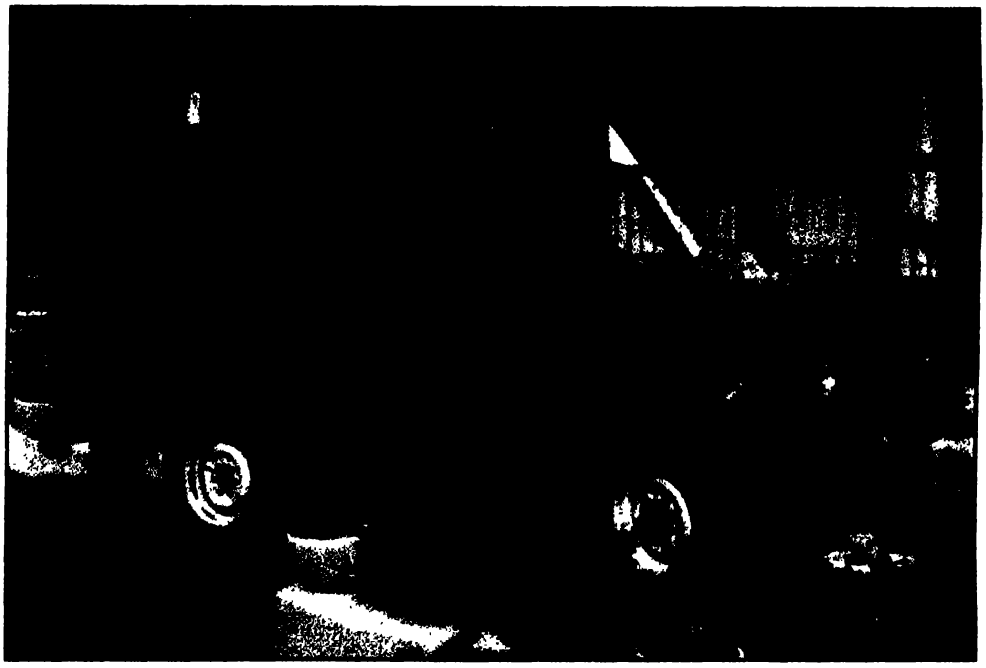
OFB has set up a full-fledged marketing department headed by regional directors in its various centres. A high-quality glossy brochure introduces the wide range of finished products and intermediates available from the 39 OFs, the majority of them boasting ISO 9001 or ISO 9002 certification. "OFB, with its considerable resources, is now eager and more than able to respond to your specific needs," it declares. Earnings are already in the range of Rs350–400 crore a year, helping reduce the burden on the OFs' main budgets and utilise the overheads on its 163,000-strong force of managers and skilled workers.

Exports account for hardly Rs30 crore, owing to restrictions on selling arms and ammunition abroad. "Foreign interest is not in clothes but in lethal weapons!" Rajagopal quips. "We are already selling to friendly countries, but we can't afford to go out very aggressively." The Ammunition Factory, Khadki, however, is making a lot of sophisticated sporting ammunition, and has perfected a trainer-level product which it is refining further. "It is almost like making a Rolls Royce!" he says.

The list of countries buying OFB's export products, however, is a long one: Algeria and Vietnam buy brake parachutes, while Austria, Belgium, Myanmar, Oman, Thailand, and Zimbabwe take cartridges. Bhutan buys leather gloves and steel jerricans; Canada, the Maldives, Russia, UAE, and the UK go in for trousers, shirts, and leather garments. A slew of others, from Bangladesh and Botswana to Israel and Sweden, are also customers. The OFs are getting their weapons validated by the National Rifle Association of India, which has already passed the .22 sporting rifle. With this, India can break

into what is a monopoly of a very few countries in the world including Norway, Germany, the UK, and Switzerland, and become a viable exporter mainly to neighbouring countries. All this will help ensure that the large investments in modernisation – nearly Rs2,000 crore in the next five years – are partly set off by the diversification into civilian trade. "The demand is so huge that we are enhancing production," Rajagopal says.

Arms and ammunition apart, another area in which OFB's marketing wing is concentrating is the growing Indian automobile industry. Its quality standards – fine-tuned to ensuring fail-safe operation for the armed forces – stand it in good stead; but it is this very aspect that often prices it out of the market, too. Private industry is of necessity price-conscious, and is willing to make do with less than perfection in quality. But the OFs have a problem with this attitude: "We cannot make *dhaba* food when we are accustomed to four- and five-star hotel cuisine," says Rajagopal.



The civilian Jonga lost out on looks

So it is only the most quality-conscious in industry who shop at OFB: Escorts and HMT buy cast-iron pistons for their tractors, SKF buys ball bearings and rings, Hindustan Aeronautics Ltd gets its aluminium extrusions from OF Ambajhari; Larsen & Toubro gets forgings and machining done at the Heavy Vehicles Factory, Avadi, and the Field Gun Factory, Kanpur; Castrol and IBP buy mild-steel drums from OF Bhusawal.

Mahindra & Mahindra, which had contracted with OFB to buy some components for its jeeps, has switched to parts for its tractors. "Their commitment and capability are good, but they need to be more proactive and competitive," says an executive in the tractor division. In the earlier relationship, however, both the Machine-tool Prototype Factory (MPF) at Ambernath near Mumbai and M&M's automotive division had problems. The former believes Mahindra ditched it just because it got a cheaper supplier, but the customer also blames OFB's "unrelenting attitude, slow pace of development, and bureaucratic habits not conducive to meeting the ever-challenging market requirements".

According to J.M. Mapgaonkar, general manager (materials and quality assurance) in M&M's automotive division, the company started buying from OFB because it has excellent machines maintained in good working condition under one roof. "The quality of clutch hubs and main shafts from the Ambernath establishment was excellent. However, the quality of pressure die castings brought from the Medak factory was not good," Mapgaonkar says. The Medak establishment's attitude towards pricing discussions was also "very adamant"; and even for meeting schedules, "a lot of follow-up was required from our side," he adds.

A.O. Abraham, general manager of MPF, which is now making the tractor bull shafts for M&M, sees no problem in meeting civilian requirements even if the military's needs shoot up. "We can always farm out our civil orders and keep a check on the quality," he says. Abraham, however, says making a single component for a customer isn't much good. "Our precision piece doesn't fit in their assembly with components supplied by other vendors," he points out.

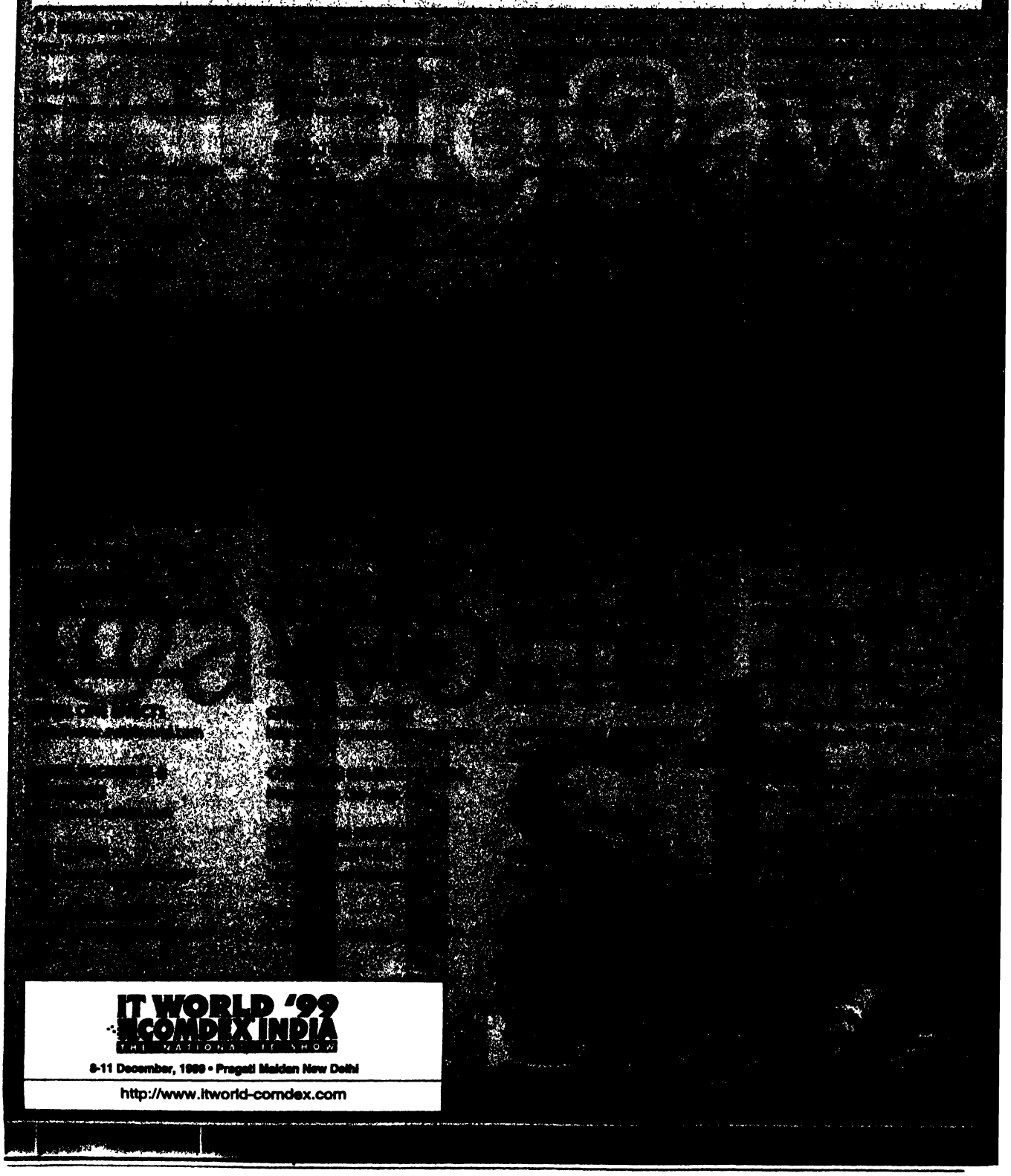
MPF Ambernath's competencies include hobbing, shaping, cutting, grinding and shaving to make spur, helical, and worm gears, besides a range of gear inspection equipment with an accuracy of 0.4μ ($4x10^{-7}$m). "OFs have a good base because we need the quality," Abraham explains. "We believe in having technology at least one step higher than the immediate need, so we have a tremendous technological capability."

And though Rajagopal is slightly wary of committing OF production to meet civil requirements – "What do I do if the Army suddenly needs everything I produce?" he asks – he himself points out that OFB is already functioning like a corporation. "I have to quote and earn my budget," he says. "And there is no room for adjustment after the prices are predetermined in November every year; so I have to make up the deficit by civil trade." Not bad for an organisation with what he calls "in-built war insurance" that was never meant to be a revenue-earning authority.

• SEKHAR SESHAN

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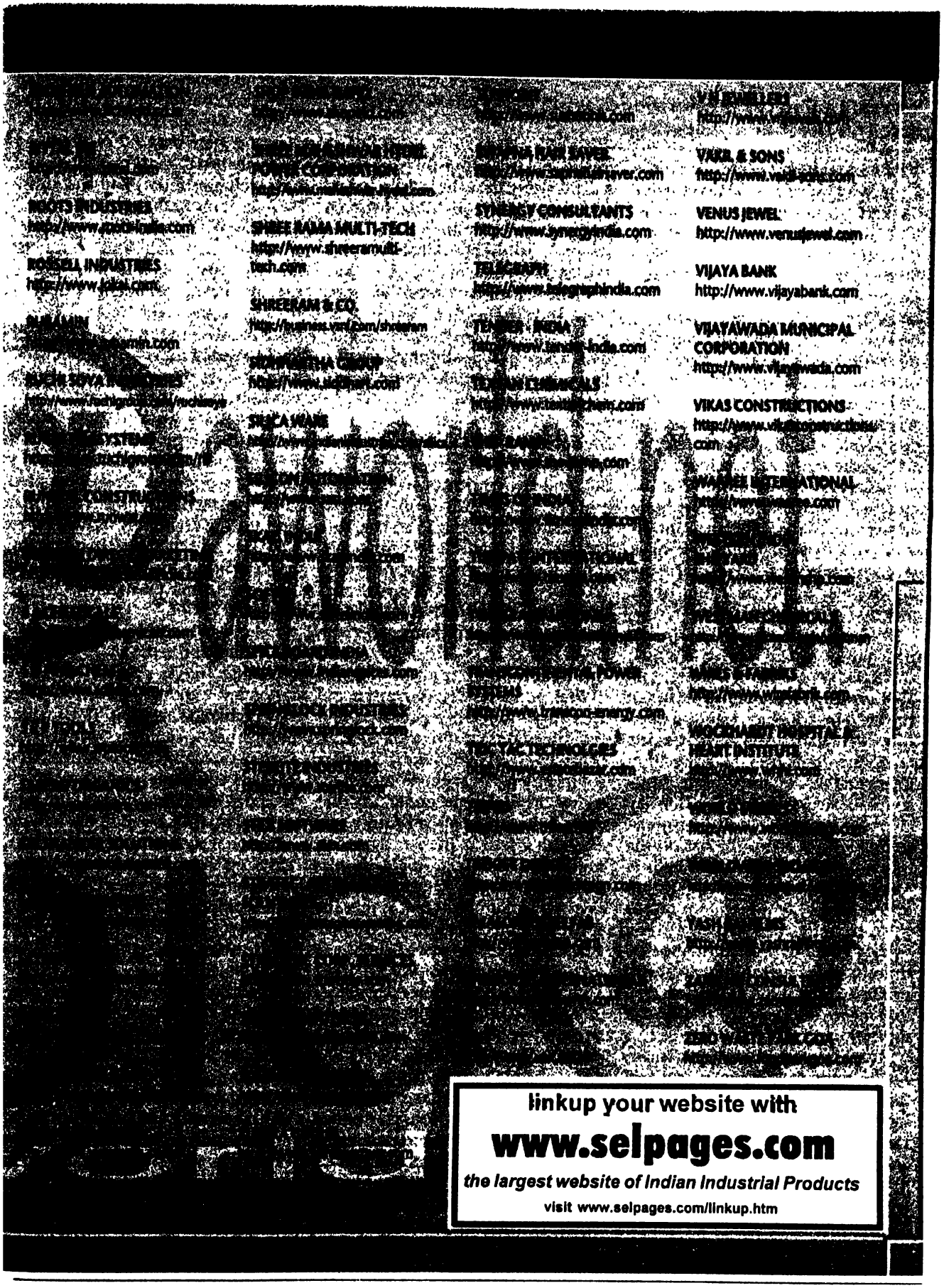
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Uncle Sam, here we come

Several Indian corporates are readying to get their stocks listed on the American bourses

It's Destination America for India Inc. And international investment bankers and management consultants are working overtime to prepare the companies for a Nasdaq or a New York Stock Exchange (NYSE) listing. According to an estimate by global consulting firm PricewaterhouseCoopers (PwC), about 15 companies, in industries as diverse as telecommunications, pharmaceuticals, software and financial services, are in varying stages of readiness to approach the capital market in the US. Of these, six are "on the starting block and should be making their move soon." Companies such as Mahanagar Telephone Nigam Ltd (MTNL), Reliance Industries and United Breweries have recently announced plans of listing on the NYSE in the next four to six months.

Following the success of Infosys, which listed on the Nasdaq in March this year, several IT companies, too, are furiously preparing for an IPO in the US. These include training institute NIIT, and software developers Silverline Industries, HCL Technologies and Pentafour Software. Just a couple of weeks ago, Satyam Infoway (Sify) became the second Indian company to successfully list on the Nasdaq. Satyam's IPO of 4.17 million American Depository Receipts (ADRs) opened at $45.5, a premium of 153 per cent to its offer price of $18, on debut, and was oversubscribed 27 times! Satyam had initially planned to raise $50 million from float, but has now decided to retain $75 million.

According to PwC, while many Indian companies are not new to raising cross-border capital – 64 of them have already made one or more Global Depository Receipt (GDR) issues and are listed on the London and Luxembourg stock exchanges – they are still apprehensive about listing on American exchanges because of the complexity of the process, and the high cost involved. Depending on the sector and the size of the issue, a listing could cost a company anything between $100,000 to $ 1 million, says David Taylor, partner, Global Capital Markets, a division of PwC. A ballpark estimate is 8-10 per cent of the total issue. Most of the expenses would go towards underwriters' fees, while other costs would include attorneys, accountants, printers, public relations and registration fees.

Structuring financial information

But more than expenses, it is the elaborate process of structuring financial information according to US laws that is often a deterrent. A US listing does not mean merely conforming accounts to US Generally Accepted Accounting Practices (GAAP) standards. It also requires managing shareholder value consistently and operating in a strict regulatory regime. "When you layer SEC (Securities and Exchange Council) regulations and interpretations on top of US GAAP, it becomes exponentially more complex," says Taylor. Now, PwC is trying to untangle some of that complexity for Indian companies, and explaining to them the benefits of listing on American exchanges *vis-a-vis* other exchanges. One immediate benefit, Taylor points out, is that the software and the high-technology stocks usually command a premium of up to 20 per cent on the US exchanges compared to the London exchange.

Besides one-on-one meetings with prospective clients, PwC, along with Morgan Stanley, Goldman Sachs and the Bank of New York, is holding seminars in Mumbai and Bangalore. The aim is to encourage Indian companies – not just conglomerates, but smaller, entrepreneur-driven ones as well – to take the hard road. PwC's is the latest in a series of initiatives to market American stock exchanges to Indian companies. In March this year, Nasdaq president John Wall toured India over a two-week period, speaking to mostly software companies on the advantages of listing on the Nasdaq. He cited the example of Israeli technology companies and how over 80 of them are currently listed on the exchange and have volumes more than the entire Tel Aviv Stock Exchange.

Before Wall, NYSE managing director (international and research) James E. Shapiro, and NYSE group executive vice-president (international and research) Georges Ugeux visited India in May 1997. They met about a dozen Indian companies and allayed fears that a Big Board listing was quite out of their reach.

The efforts seem to have reaped dividends. Many Indian companies now are well aware of the benefits of a US listing, and have already adopted US GAAP standards, or International Accounting Standards reconciled to US GAAP. An added benefit is that the process automatically enables them to list on other exchanges. "It's no longer an option," says Taylor. "They realise there is a host of reasons why they should be in the US."

Besides higher price earnings ratios, one important reason to list on US exchanges is that it provides companies with "acquisition currency". Many Indian software and pharma companies are currently on the prowl for US companies, and they can use their US listed stocks to issue additional shares for an acquisition. Offering US stock options also helps them retain global talent. Many software companies have funding by US venture capitalists, and the exit clause often requires the company to go public in the US.

Another crucial factor is peer pressure. For companies such as MTNL, Reliance and United Breweries, who are leaders on the domestic turf, it is important to take the next step and be perceived as global players. It is essential, therefore, that they are listed along with their peers on the Nasdaq or the NYSE. "It's a measure, an important achievement," says Taylor. Those on their way to the Big Apple couldn't agree more.

◆ INDRANIL GHOSH



1997

International mushroom prices fall. Indian producers slash production. Agro Dutch doubles production.

1998

Agro Dutch gains prominence as the world's lowest cost mushroom producer, paying the world's lowest anti-dumping duty.

1999

Agro Dutch becomes the world's largest integrated producer of mushrooms. Passes quality tests by Lipton Foods, USA. Lands three-year fixed price contract.

Quarterly Results (Provisional) for the Quarter ended on 30th September, 1999.

(Rupees in Lakhs)

Particulars	**Quarter ended on 30.9.99**	Corresponding Quarter ended on 30 9 98	Accounting year ended (Audited) on 31 3.99
Sales			
- Exports	**1434.82**	885 56	4534 29
- Domestic	**4.29**	8 03	35 42
Total Expenditure	**952.79**	632 54	3082 65
Interest	**105.32**	123 24	476.00
Depreciation	**46.81**	45 46	152 84
Net Profit	**334.19**	92.35	869 05
Paid up Equity Share Capital	**1377.94**	1377.90	1377 94
Annualised Earnings Per Share (Rs.)	**9.72**	2.68	6 23

Agro Dutch Foods Ltd.

The language of performance

Options Trikaya Grey ADFL 1 99

Shining bright

SAMPL has succeeded in competing with multinationals

Battling with multinationals could be an ardous exercise and one might even end up being eaten up by the biggies in the business. One promoter who is fighting it out in the marketplace is Sanjay Sonawani, chairman of the Pune-based Suryoday Allo-Metal Powders Ltd (SAMPL). The company, which manufactures iron powder, is a major competitor to world leader Hoganas AB's (Sweden) Indian operations.

Iron powders are used in making automotive components and welding rods. Other users are steel, chemicals and pharma industries, where the iron powder is used as a catalyst. But what made Sonawani, a former journalist with a city newspaper, take up the manufacturing of this product? "It had low entry barriers and more than that I was keen to blast the myth propagated by the multinational that manufacturing this product required great technological expertise," he says.

There are five common methods of manufacturing iron powders. They are the atomisation process, the Pyron process (reduction with hydrogen), the Hoganas process (reduction with carbon), the pulverising process and the electrolytic process. A substantial chunk of iron powder is manufactured through the reduction process and that produced through the electrolytic process is used for high application sintered products. Although each process yields powders with different characteristics, the factors that influence the selection of iron powders is the cost and the compatibility with the manufacturing process. Hence, most manufacturers mix and match the powders. For example, a low density of reduced or pulverised powder can be enhanced by mixing electrolytic or atomised powder, thereby giving high density iron powders.

According to Sonawani, while the world over about 70 per cent of the iron powder is consumed by the sintered component segment, in India it is not so. "India is still a long way off from the global standards of consumption of metal powders. Nevertheless, it is following the global pattern of consumption," he says. Moreover, the minimum economic size (MES) of a metal powder plant globally is around 20,000 tonnes per annum, and none in India is close to that.

No wonder, Hoganas India and Suryoday Allo-Metal Powders are moving towards achieving the MES. SAMPL put up its first plant to manufacture electrolytic iron powder at

Suryoday Allo-Metal Powders Ltd

(Rs crore)

Year ended March	1998	1999
Sales	[illegible]	13.65
Expenditure	[illegible]	9.89
Interest	[illegible]	0.38
Depreciation	[illegible]	0.84
Net Profit	[illegible]	2.59
Cash profit	[illegible]	3.44
OPM (%)	31.5	27.6
GPM (%)	[illegible]	24.7
NPM (%)	[illegible]	19.0
Return on capital employed (%)	[illegible]	26.0
Cash return on capital employed (%)	[illegible]	34.5
Cost per tonne (Rs)	14,628.0	18,094.2
Selling price per tonne (Rs)	[illegible]	24,831.3
Capital cost per tonne (Rs)	12,770.0	11,665.1

Gadchiroli, a backward area in Maharashtra. With demand picking up, the company increased capacity from 1,800 tonnes to 2,400 tpa in early 1997. Simultaneously, the company put up a 3,360 tpa reduced grade powder plant at the same location, which was financed through an IPO. In 1998, the company added another 2,500 tpa of reduced grade powder capacity funded through internal capacity, thus taking the total capacity to 8,200 tpa.

According to Sonawani, with the end user industries such as welding electrode and pharma growing at a quick clip and a visible turnaround in the steel industry, SAMPL has already embarked on hiking capacity by about 12,000 tpa at a cost of Rs6.55 crore. The expansion, expected to be completed by the end of this month, has been financed through internal accruals to the extent of 60 per cent, with the balance being met through loans.

But what is the idea of going in for an expansion when the company's capacity utilisation for the year to March 1999 stood at about 65 per cent? "Universally, the capacity utilisation is around 60 per cent. Because of the segregation of grades of powder and the subsequent remix, the utilisation drops," justifies Sonawani. (Incidentally, Hoganas' capacity utilisation stood at about 85 per cent last year.) He claims that his expansion costs were curtailed because of the "indigenously developed plant and machinery".

In order to move into value-added products, SAMPL is planning to set up a plant near Pune to manufacture non-ferrous powders such as copper, tin, brass and aluminium. This 6,000 tpa capacity plant, to be set up at a cost of Rs8 crore, would be funded through internal accruals and loans and would be reflected in the company's workings in the year 2001-02. "The demand for non-ferrous powders is ever growing and with this plant we will be the only Indian powder metallurgy company catering to a wide range of requirements," says Sonawani.

On the performance front, SAMPL has overshot its projections since the company went public and has been growing at a compounded annual growth rate of about 65 per cent. For the year to March 1999, on a turnover of Rs13.86 crore, the company netted a profit of Rs2.6 crore, thus giving an earning per share of Rs4.66. The market price of around Rs40 discounts the earnings less than nine times. For the first quarter to June 1999, the company has notched up sales of Rs3.70 crore and net profit of Rs78 lakh. For the full accounting year, Sonawani hopes to have a net margin of about 25 per cent on a turnover of Rs18 crore because "a part of the expanded capacity would begin yielding revenues in the current year". Considering that Hoganas' stock is quoting at a multiple of about 20 times, SAMPL's stock certainly has room for appreciation.

• ROY PINTO



NIRMAL JAIN

The author heads Probity Research & Services Pvt Ltd, a Mumbai-based information services company. He can be accessed at www.indianinfoline.com

Time for the bubbly

With the promise of a stable government, the economy is in for some good times in the next five years

Since the Iraq war of 1991, we have hardly seen good times for any reasonable length of time. There seems to be no end to bad times. Economic recession, coalition governments and their fall, nuclear tests, economic sanctions, Kargil, the Asian crises, the coup in Pakistan — the list is endless.

But I am tempted to believe that we are in for good times. Nobody can ever make a provision for unforeseen contingencies and events. There is always a chance that something might go wrong when things look too good. However, what most pessimists forget is that there is also always a possibility of things turning out better than we expected. About two-three years ago, when I used to discuss the software sector with friends, the typical response was: "Things are looking good, but don't get carried away. Manpower costs in India will rise, the US economy will slow down, there will be competition from low-cost countries such as China, Russia and Peru. The projected 40-50 per cent growth is too optimistic and is based on the assumptions that everything will go right. Even if growth continues, margins will come down, and even if margins are maintained, all are discounted in the price." There was hardly anybody to say that things can also turn out to be much better. Nobody had the courage to say the software sector could grow at about 60-80 per cent or even 100 per cent. In the past three years, things have been much rosier than one had imagined then. Not in terms of profits alone, but also retail support, inclusion in index, media attention, policy incentives, re-rating, etc.

Even if the US bubble bursts, India has little to fear. India emerged unscathed from one of the worst Asian crises

Today, we must take stock of the global situation before being optimistic or pessimistic about our country. We all know that the US economy powers buoyancy the world over. In the US, the good health of the economy is underpinned by bull-run stockmarkets. A typical American buys, sells and trades in stocks. This is in contrast with India, where only a small percentage of people buy and sell in stockmarkets regularly. Economists have cautioned that private negative savings is dangerous. People are spending more than their income, based on their capital or asset profits, that is, paper profits primarily in stock prices. But still the odds favour the US economy bubble for at least two-three years. The US goes to the polls next year and the present government (read the Fed Reserve also) would not like any non-populist moves this year. In the elections, the most likely winner is Republican Bush Jr, whose party is known to be business-friendly. Their policy measures should support the economy and the stockmarket buoyancy for another two to three years.

Even if the US bubble bursts, India has little to fear. India emerged unscathed from one of the worst Asian crises. There might be some jitters in stockmarkets, and foreign investors may or may not flee. It is unlikely that the economy will be affected in any significant way. If the economy does well, we will have reasons to celebrate.

Also, there are other reasons to be optimistic. In the last six to seven years, we have suffered from more than the lack of a stable government. We have had governments succumbing to pressures, resulting in complete chaos on the policy front. All this naturally affected the flow of private and foreign investments. Little wonder, then, that a number of mega power projects, capacity expansion and telecom ventures all are in a quagmire.

In the next five years, we can hope to see a stable government as the BJP becomes bolder and more experienced in dealing with its partners. This will not only result in an increase in the investment flow, but will also let a pent-up demand for investment surface. A number of investment projects have been deferred in the recent past, but we can look forward to extraordinary growth in the near future. A significant increase in rural purchasing power also augurs well for the economy. Today, the economy is strong enough to absorb one or two bad monsoons. Industrial growth, which follows a cyclical pattern, has seen the worst in the past three years. Renewed investment demand coupled with a stable political environment will boost business confidence. This, along with sanguine economic conditions world over, makes me upbeat about the future. •



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- COMMERCE ■ DATABASE

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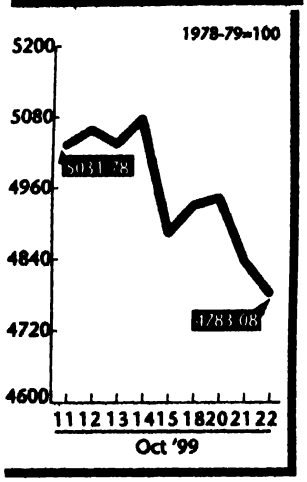
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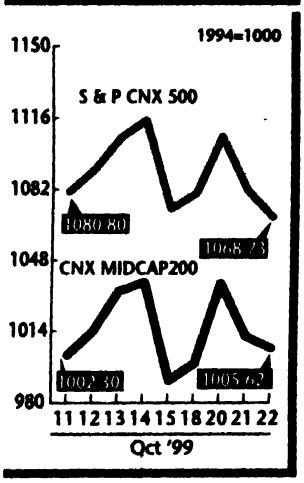
Europcar

Indicators for fortnight ended 22 October 1999 — Equities

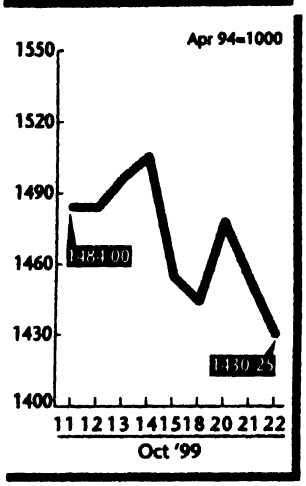
BSE-Sensex



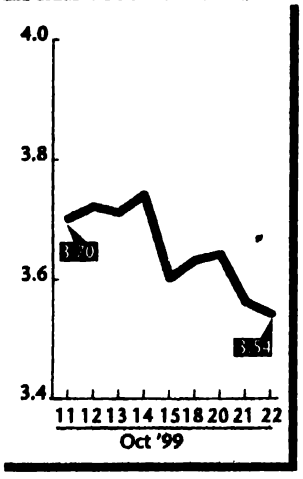
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



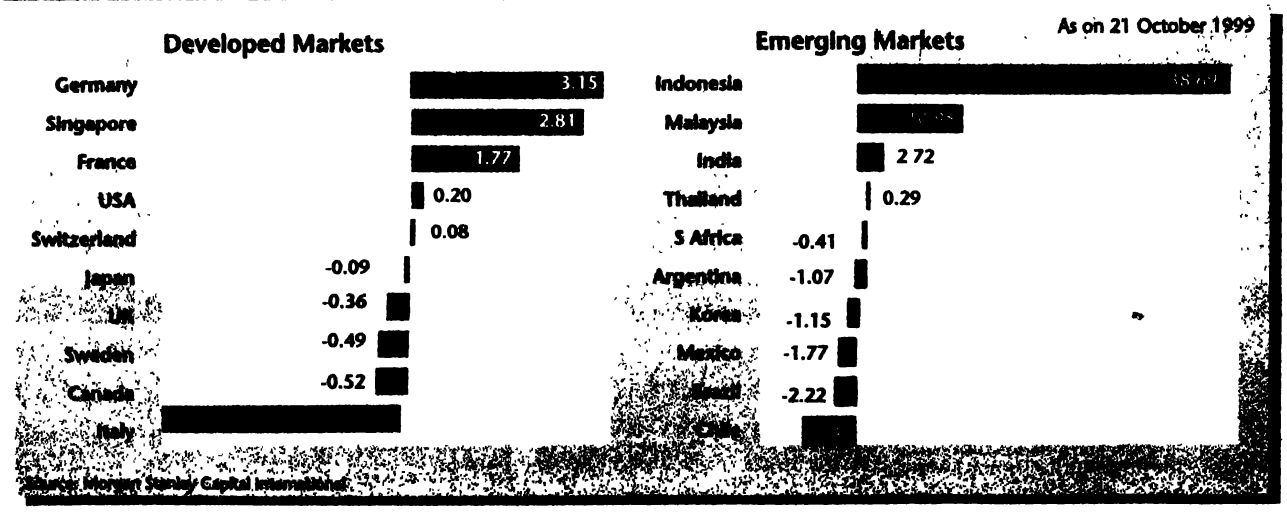
S&P CNX 500 -Best Performing Industries

Industry Name	2-week % change	Yearly % change
Finance	35.16	120.60
Shipping	26.20	17.58
Sugar	23.25	25.80
Castings/Forgings	19.98	458.29
Electronics - Industrial	19.97	182.46
Telecommunication - Eqp	19.53	478.81
Cement & Cement Products	19.02	197.09
Photographic Products	18.60	130.75
Fertilisers	17.58	75.10
Steel & Steel Products	10.84	110.82

S&P CNX 500 -Worst Performing Industries

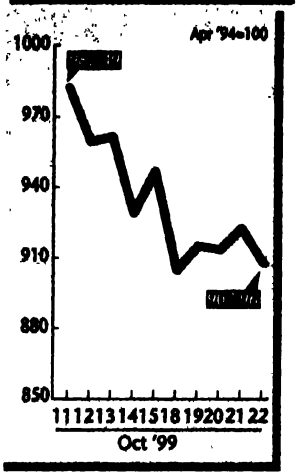
Industry Name	2-week % change	Yearly % change
Computers - Software	-9.78	269.96
Consumer Durables	-8.14	92.13
Cigarettes	-7.59	10.79
Food & Food Processing	-7.57	52.99
Personal Care	-7.22	62.59
Diversified	-6.80	85.88
Industrial Gas	-5.80	92.81
Diesel Engines	-5.76	58.91
Tea & Coffee	-4.62	93.03%
Power	-4.23	4.87

Monthly change in world stock indices

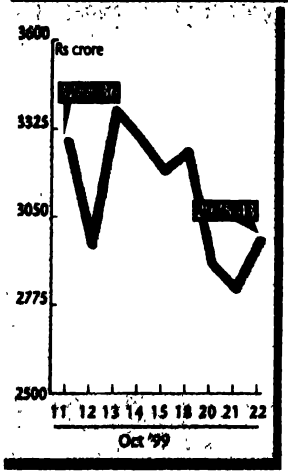


Equities

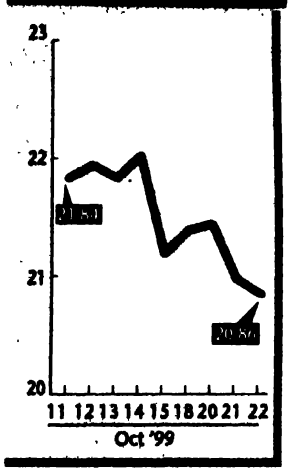
Skindia GDR Index



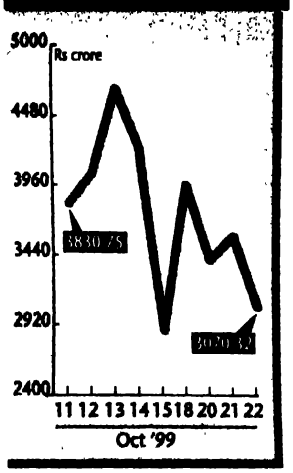
BSE Volumes



Sensex PE



NSE Volumes



S&P CNX 500 Worst Performing Stocks

Company	Price-23 Oct Rs	2-week % change	52-week High/Low
NIIT	2255.00	-28.79	3400/801
German Remedies	1057	-20.23	1388/540
Torrent Pharm	503.55	-19.76	678/65
Dr. Reddy's Lab	1179.45	-17.98	1600/402
Forbes Gokak	80.65	-17.70	101/41
Digital Equ (India)	675.00	-17.37	879/131
Britannia Industries	850.00	-17.15	1206/458
Gujarat Gas Co.	584.55	-17.09	755/176
Crompton Greaves	62.20	-16.73%	93/25
BPL Ltd.	471.90	-15.13	637/112

S&P CNX 500 Best Performing Stocks

Company	Price-23 Oct Rs	2-week % change	52-week High/Low
Reliance Capital	100.70	97.45	101/28
Alpic Finace	64.40	84.00	60/13
Apollo Hospitals	155	76.14	166/22
Birla Global Finace	81.55	73.70	79/11
Birla Corporation	61.45	62.57	57/20
Alembic	632.50	61.74	668/88
Herbertsons	111.90	55.42	113/44
Jindal Strips	153.00	53.00	156/34
Shipping Cor India	38.20	52.80	35/14
Tata Telecom	98.00	52.53	101/28

S&P CNX 500 Most Active Stocks

Company	No. of shares (Lakhs)	Price-23 Oct Rs	2-week % change
Reliance Industries	1094.59	262.50	8.70
Steel Authority of India	474.72	14.20	20.85
Silverline Industries	392.57	474.00	6.27
State Bank of India	379.06	269.40	7.27
Tata Iron & Steel Co	358.69	162.00	2.05
Global Tele-Systems	323.05	674.00	10.00
Pentafour Software & Exp	310.04	705.75	2.15
Associated Cement Co.	299.62	254.25	16.63
Rolta India	297.93	165.55	-4.06
Satyam Computer	278.82	1458.80	11.10

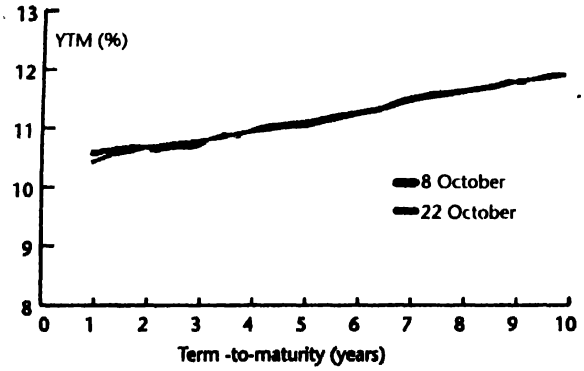
S&P CNX 500 Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price-23 Oct Rs	2-Week % change
Hindustan Lever	53349.20	2310.00	-7.60
Wipro	30494.36	1250.00	-14.38
Infosys	25666.71	7331.00	-10.60
Reliance Industries	23009.28	262.50	8.70
ITC	19897.79	793.00	-7.70
Videsh Sanchar	13800.43	1410.50	28.23
SBI	13414.43	269.40	7.27
MTNL	13039.00	207.90	2.97
Ranbaxy	13023.36	1029.50	-11.66
NIIT	10687.58	2255.00	-28.79

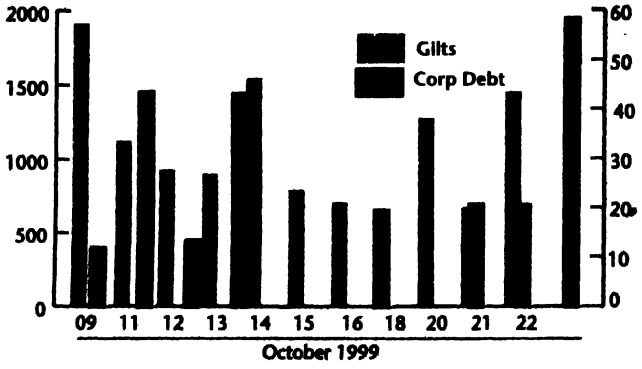
Source: India Index Services and Products

Deb

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	12.59	9.90	Call ruled high on tight liquidity conditions.
Treasury Bills[2]	8.11/9.49/10.35	8.63/9.48/10.35	Mixed interest at the auctions.
Bonds (AAA)[3]	12.50-12.75	12.25-12.50	Rates were tight amid low activity.
Debentures (AAA)[4]	12.75-13.25	12.50-13.00	No activity reported.
ICDs[5] (Grade A)	12.00-14.00	10.50-12.00	Tight liquidity conditions affected rates.
CPs[6] (P1+)	11.00-11.50	10.50-11.00	Not many transactions reported.
PLRs[7]	12.00	12.00	Credit numbers show a rising trend.

1:Call money is fortnightly average rate; 2: Treasury bills (TBs) are cut-off yields on 14-day TBs, 91-day TBs and 364-day TBs at auctions; 3: Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5: Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market; 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* Oct 8-22 # Sept 25-Oct 7

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
MRPL	NCD	100	2002	LA+	16.34
Nalco	NCDs	100	2005	LAAA	13.82

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
MSPHWC	SGG	Bonds/ 13.20	107	7
KBJNL	SGG	Bonds/ 13.40	240	7
GSFC	LAA	Bonds/ 12.50	125	7

Snapshot

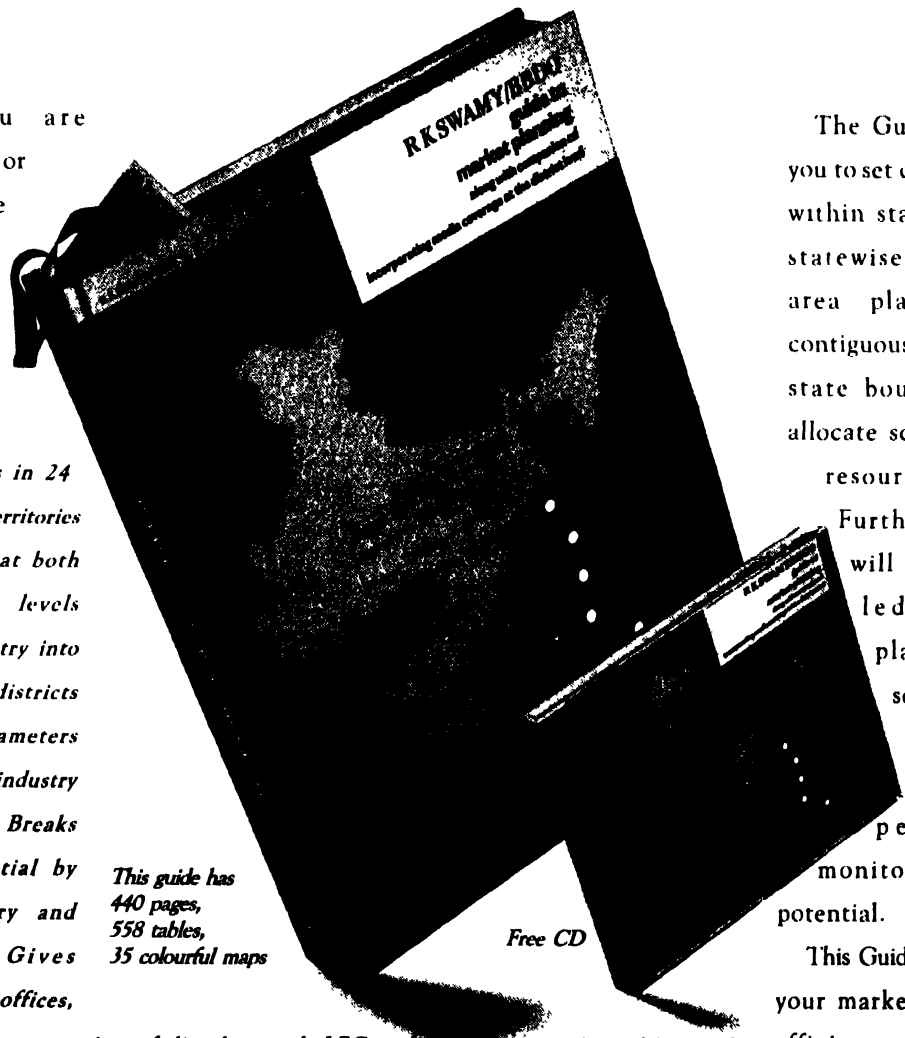
Sentiment in the debt market turned negative and then positive in response to high call and then RBI intervention through OMO. Liquidity tightened much beyond expectations but RBI measures cooled rates. Call was volatile once again. The GoI privately placed Rs.3500 crore of 12.29 per cent 2010 with RBI. Interest at TB auctions was mixed. The SBICAP-SYC moved lower at the short end after witnessing a climb during the fortnight. Secondary volumes were marginally higher. RBI has already completed over 101 per cent of the net GoI borrowing programme for FY 2000. The INR remained firm during the fortnight. Liquidity is expected to be comfortable. Gilt prices are expected to move higher on policy pronouncements. We expect RBI to announce a Bank Rate cut and a calendar for phased reduction in the CRR.

Source: SBICAP; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

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HIGHLIGHTS

• Ranks 411 districts in 24 states and 7 Union Territories by purchasing power at both state and all-India levels • Classifies the country into Metro, A, B and C districts • Combines ten parameters covering agriculture, industry and infrastructure • Breaks down Market Potential by Agriculture, Industry and Infrastructure • Gives information on bank offices, deposits and credit, consumption of diesel, petrol, LPG and kerosene, number of hospitals and beds at the district level • Outlines 49 indicators at the district level, 122 indicators at the state level • Gives Media information at district level, for the first time • Presents media information separately for urban and rural population • Lists 3,544 towns in descending order of population by district, town class and Market Potential Value grade • Gives detailed information on 300 towns with population of over 1 lakh • Information collated from 65 sources.

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Business India-Credence: Mutual Fund Performance
Tax-saving Schemes



If Rs 10,000 was invested in each of these schemes on 16th October 1998 it is worth...

	Scheme	Fund	NAV (Rs)	% change	Risk grade	Issue date	Redemption date
1	Zurich India Tax Saver	Zurich India MF	32174	221.74	I	31-Mar-1996	31-Mar-2006
2	First India TaxGain '97	First India MF	31658	216.58	I	31-Mar-1997	31-Mar-2007
3	Magnum Tax Gain '93	SBI MF	27426	174.26	III	31-Mar-1993	31-Mar-2003
4	KP Tax Shield 95	Kothari Pioneer MF	27391	173.91	I	31-Mar-1995	31-Mar-2005
5	Magnum GIFTS A (Ann. Inc)	SBI MF	26971	169.71	II	30-Mar-1992	31-Mar-2002
6	Alliance Tax Relief 96	Alliance Capital MF	26906	169.06	I	31-Mar-1996	Open End
7	KP Tax Shield 98	Kothari Pioneer MF	26796	167.96	I	31-Mar-1998	01-Apr-2008
8	Birla Tax Plan '98	Birla MF	26687	166.87	I	31-Mar-1998	31-Mar-2008
9	Tata Tax Saving Fund	Tata MF	26642	166.42	I	31-Mar-1996	Open End
10	Libra Tax Shield '96	HB MF	25110	151.10	I	01-Jan-1996	31-Mar-2006



56	Dhan80CCB (1)A (Ann.Inc.)	LIC MF	14310	43.10	III	30-Mar-1991	30-Mar-2001
57	BEST Plan A	BOI MF	14286	42.86	III	31-Mar-1993	31-Mar-2003
58	Dhan80CCB (1) C (Gr)	LIC MF	13915	39.15	II	30-Mar-1991	30-Mar-2001
59	GIC Growth Plus	GIC MF	13859	38.59	II	31-Mar-1993	31-Mar-2003
60	GIC Taxsaver 95	GIC MF	13846	38.46	I	31-Mar-1995	31-Mar-2005
61	BEST Plan B	BOI MF	13715	37.15	I	31-Mar-1993	31-Mar-2003
62	Dhan80CCB (2) C (Gr)	LIC MF	13709	37.09	II	31-Mar-1992	31-Mar-2002
63	Dhan Tax Saver 95	LIC MF	12795	27.95	I	31-Mar-1995	31-Mar-2005
64	PNB ELSS92	PNB MF	12670	26.70	V	31-Mar-1992	31-Mar-2002
65	GIC Taxsavers Growth 94	GIC MF	12598	25.98	I	31-Mar-1994	31-Mar-2004

Median Return-Peer Group	17417	74.17
S&P CNX 500 & I-Sec I-Bex Total Retur(60:40)	18545	85.45
BSE Sensex & I-Sec I-Bex Total Retur(60:40)	17148	71.48
BSE Natex & I-Sec I-Bex Total Retur(60:40)	18133	81.33



1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all shortlisted schemes.



Overall the shortlisted tax-saving schemes have under-performed the benchmark, the broad-based S&P CNX 500 Index. The annual median return of these tax-saving schemes is positive 74.17 per cent versus positve 85.45 per cent in case of S&P CNX 500 Index. Interestingly of the shortlisted 65 schemes. 26 schemes have outperformed the broad-based SNP CNX-500 Index. The present rally has been broad based as S&P CNX 500 index outperformed the BSE Sensex. Market sentiment improved as the BJP-led alliance managed to get a simple majoright and also on account of Moody's upgrading the investment outlook on India.

The investment performance, however is not uniform across the schemes, with top four schemes generating an annual return of over 170 per cent while the bottom three schemes generated a return of 30 per cent.

Compared to last mutual fund ranking (as on 3 September 1999) on tax-saving schemes KP Taxshield 98 of Kothari Pioneer MF has been added to the top 10 rank while MELS 96 of SBI MF has been dropped out of the list.

Coca-Cola is to test a vending machine that would automatically increase the price of its product as and when the temperature rises. Of late, Coke has been busy testing vending machines that combine drink dispensers with petrol pumps and stamp machines, but its latest machine may prove controversial. Developed in Japan, Coke's new machine is to use hot weather to charge extra for a drink. Quoted by a Brazilian magazine, chairperson Doug Ivester said that the utility of a chilled Coke during a summer game was very high so it was only fair to charge more for the product and the machine only made the process automatic. Although none of the new machines are in the market currently, Coke has come in for sharp criticism for testing the machine. Coke shares have dropped sharply this year after four consecutive falls in quarterly profits. The company has also been hit by economic turmoil in emerging markets, a health scare in Europe combined with aggressive competition from main rival PepsiCo.

•Nike has become the first footwear vendor to get a foothold in the e-commerce revolution. The sportswear company is the first major brand to establish its own e-commerce Website. Nike plans to sell customised training shoes over the Net with a trial scheme next month for its online customers in the US. The US is the biggest sports shoe market, with an estimated wholesale value of $7.5 billion as compared to a global market of $16.6 billion. Nike is to initially test two models of shoes that allow customers to design their own colour scheme and add personalised elements. The customised shoes are to be priced at $85 and delivery is to take two-three weeks. Nike's biggest sports rivals Adidas and Reebok are also said to be considering customised sales online. Nike is the dominant player in the sports shoe market with 33 per cent of the world market and 43 per cent of the US market. The online project comes after a difficult year for Nike as revenues fell 8 per cent to $8.8 billion in the year to 31 May. Last month the company formed an alliance with Fogdog, an online sportswear retailer, to sell Nike products on the Net.

•Although J. Sainsbury has categorically denied reports of a merger or takeover, speculation is rife to the contrary. Sainsbury, the second largest food retailer in the UK, has of late been suffering in a market that has become increasingly competitive. In 1995, Sainsbury lost its market leader position to Tesco and has been struggling to reposition itself ever since. While a takeover of Sainsbury is not impossible, some analysts view it as unlikely in the short-term. Analysts have said that the group's continued troubles, combined with what is regarded as a poor management team and the 40 per cent stake held by the Sainsbury family, make its business less attractive. Other successful retailers in the UK have won the race by becoming volume-drivers. The continued signs of weakness at Sainsbury are likely to heighten the already intense speculation about consolidation in UK food retailing which is seen as vulnerable to overseas retailers like the US Wal-Mart.

•Air Canada, under threat from a takeover by Onex Corporation, has revealed a 10-year commercial agreement with its partners in Star Alliance — United Airlines and Lufthansa — that may thwart the bid altogether. The agreement allows Lufthansa and United Airlines to obtain injunctions that would keep Air Canada within their alliance. Onex has plans to merge Air Canada into a rival alliance group called Oneworld which is led by American Airlines and British Airways. If Onex succeeds in breaching the arrangement it may be required to pay as much as $168 million in damages to United Airlines and Lufthansa. In addition it may also have to redeem preferred shares valued at more than $168 million. Onex has plans to take over Air Canada and merge it with its rival Canadian Airlines. The Onex bid is in turn backed by AMR Corporation, parent company of American Airlines, under the condition that the new merged airline would join the Oneworld Alliance. The plot thickens as United Airlines and Lufthansa have agreed to provide C$730 million in financing to Air Canada for repurchase of 35 per cent of the airline's shares at C$12 per share, sufficient to keep Air Canada out of Onex's hands.

•National Westminster (NatWest) Bank, under threat from a hostile £21.2 billion bid from Bank of Scotland, is gearing up for a fight. As part of its defence strategy, newly-appointed NatWest CEO, Ron Sandler, has said that 1,000 jobs are to be cut by the end of 1999. Another 650 jobs from its corporate banking division are also facing the axe. NatWest will also sell its Irish banking subsidiary, Ulster Bank, NatWest Equity Partners, a venture capital unit, Greenwhich NatWest, a debt capital markets business and a fund manager, Gatmore. Selling these units would leave NatWest more focused on retail, corporate and private banking.

•Japanese consumer electronics giant Sony has suffered a sharp fall in profits for the financial quarter ended September. Sony's operating profits have nose-dived 37 per cent to $667 million while sales have gone down 6.8 per cent. The company has blamed the rapid appreciation of the yen for the sharp drop. There has been a 23 per cent rise in the Japanese currency against the dollar and a 30 per cent rise against the euro during the last year. Without the yen's fast ascent against these two currencies, matters may have been different for Sony. The group's games business, led by Playstation, which accounts for 31 per cent of the group's operating profits also appears to have peaked as the division's operating income fell for the first time, by 4.2 per cent. •

WORD COUNT

"Sixteen months ago Amazon.com was a place where you could find books. Tomorrow Amazon.com will be a place where you can find anything."

Amazon CEO JEFF BEZOS's grand announcement on his company entering the e-commerce world at large, in FORTUNE.

"Unlike Suharto and Habibie, Gus Dar likes to delegate authority and likes people with initiative. He will choose aides and ministers that have the same tolerant view."

Political analyst MOHAMMAD HIKAM on his country's new President, Abdurrahman Wahid, in TIME.

"Nissan is in bad shape. One rule, no sacred cows, no taboos, no constraints."

Brazilian-born RENAULT executive dispatched from France after his company took control of Japan's second largest carmaker discusses his plans for Nissan's future, in NEWSWEEK.

The accidental fanman



RAMESH PATHANIA

Sunil Wadhwa

MANAGING DIRECTOR, USHA INTERNATIONAL LIMITED

Born: 17 July 1951
Education: BSc (Physics hons), Hindu College, Delhi University, 1970; MBA, Faculty of Management Studies, Delhi University, 1972
Career: Usha International Limited: management trainee, 1972; Gujarat divisional manager, 1975; divisional head (Delhi and Rajasthan), 1977; responsible for all-India fans operations, headquarters (Delhi), 1978; executive director (fans & home appliances), 1980; CEO, 1992; MD, January 1999.

It is difficult to believe Sunil Wadhwa when he says that he is heading a Rs400-crore-plus company that markets fans, sewing machines, air-conditioners, water coolers, home appliances, agricultural and domestic products, and auto parts because of a number of "accidental decisions". Wadhwa's coming to Delhi and enrolling for a physics honours course after schooling at Scindia School, Gwalior, was the first. Wadhwa, who had cleared the entrance tests for an engineering course in Pilani, was advised by his grandfather to stay on in Delhi for graduation and then go abroad for a course in chartered accountancy. "My father and I knew very little about careers, so we decided to follow his advice," says Wadhwa.

Then came the second accidental decision. After graduation, Wadhwa was all set to go to Oxford for a doctorate programme when he decided to take the entrance test for the Faculty of Management Studies, just because "all my friends were taking the exam". Wadhwa cleared the test and spent "two fruitful years" studying business administration. His joining Usha International Ltd, however, was no accident. The marketing company, which has a large distribution network of 11,000 selling points (of which 5,000 are sales and service centres) all over the country, was known as the best training ground and, as luck would have it, was also recruiting management trainees. "Usha had a very Army-like approach. Within seven or eight years a management trainee reached the post of divisional head. This part of your career was very clearly defined," says Wadhwa. What was not clearly defined, however, was how high you would move up after being a divisional head.

In Wadhwa's case it was "an irrational decision" that ensured that he was going to have a long innings with the company. He reminisces, "Lala Charat Ram, who had a fondness for training people, was also known for taking irrational decisions, one of which was to send me to front the loss-making office in Gujarat." Though it was a big step up for Wadhwa, he also saw the writing on the wall — turn the division around or start looking for another job. Wadhwa managed the turnaround in two years. "I was given a free hand by Lala Charat Ram. I asked for huge amounts of credit which were given to me and I was left to follow whatever path I wanted," he says.

It is this approach of giving people under him a free hand that Wadhwa now follows as managing director. Marketing vice-president (home appliances) Prakash Narain says, "Sunil is sensitive to the fact that senior managers require space, so he believes in not interfering. You can follow whatever approach you want so long as you achieve results." After his success with the Gujarat division, Wadhwa was transferred to Delhi and within a year was promoted to head the company's national fan division. "The 1980s were the best decade for fans," says Wadhwa. "In fact, the company sustained itself only on fans till 1985. The only other things in its portfolio then were sewing machines and agro products."

When the company decided to expand its portfolio in the mid-1980s to include home appliances, Wadhwa was the natural choice to head that division as well. However, it was during this time that his fast-paced rise caught up with him – Wadhwa was the youngest-ever executive director at Usha International Ltd (UIL)– but it was a post he stayed in for 12 years. "Usha International is a very flat organisation," he explains. "I had to wait for a decade because the company only has one CEO. Moreover, that was Lala Charat Ram's way of functioning. He believed in rewarding people who did well quickly."

The thought of leaving the company, however, did not cross Wadhwa's mind even though he had reached a plateau because, as he says, "in the 1980s all CEOs were in the 50–60 age bracket. I was too young to leave and try my luck elsewhere." Another

reason why he didn't leave was that he had worked with the company for nearly a decade and had a strong emotional bond with it. "It is this emotional bonding which has kept so many people with the company," adds Narain, who has been with UIL for 24 years.

Wadhwa's patience paid off in 1992, when he was made CEO with complete responsibility for all the operations of the company. "That was a challenging period," he says. "Since Usha is a 50-year-old company it has a number of advantages. But since it is such an old company it also has a number of disadvantages." The biggest challenge Usha faced when Wadhwa took over was the computerisation drive. "We had to deal with computer-illiterate people and make them realise the significance of computers in a marketing company like ours," he says. Another major Wadhwa initiative was to go in for ISO 9001 certification, making UIL the first marketing company in India to get certification for marketing covering its entire range of operations.

"We are in a position to do all this because we have now started making profits," he explains. In this financial year, UIL's turnover grew by 13 per cent and gross profits increased by 42 per cent. Though Wadhwa says he is personally satisfied with the way his career has shaped up, he is still dissatisfied about a number of things at UIL. For starters, he feels UIL should have been in the white goods and consumer electronics sectors. "The decision for this should have been taken in the 1980s. It's too late now." Another aspect that needs changing is financial delegation of responsibility. Says Wadhwa, "Though we believe a lot in delegation of responsibility, we need to give more financial responsibility to our people. It isn't going to be easy because we work on very small margins, but this is the next thing on my agenda."

However, whatever Wadhwa may have on his agenda there's one thing he never compromises on — golf every Sunday and a game of tennis everyday. "Those have been my passions since childhood," he says, "and there's no way I'm going to give them up."

◆ PUNAM THAKUR

FRONTRUNNERS

Playing to win



It's only a fortunate few who earn money from what they love," says **Manu Sawhney**, who recently took over as managing director of ESPN software India Pvt Ltd, which looks after the distribution and marketing of sports channel ESPN-STAR. The 33-year-old engineering graduate from BITS Pilani had stints at Eicher and ITC Global Holdings, before he joined ESPN as sales and marketing manager in 1996. A sports, and particularly soccer, enthusiast, this Tata Administrative Services and IIFT product now looks forward to building loyalty for the ESPN-STAR brand across India and the rest of South Asia.

"ESPN-STAR has literally become a generic brand in sports," says Sawhney, who plans an integrated marketing approach to further strengthen ESPN-STAR's position in the region. For this, he's looking at the 'four Os' approach of building a bond with the consumer – online, on-air, on-ground and off-air. He also wants the channel to move into the Web in a big way, developing more content on "the medium of the future".

For the present, of course, ESPN-STAR has bagged the telecast rights for cricket in six major countries, he says proudly. Sawhney wants ESPN-STAR known for, other sports such as basketball, soccer, Formula One racing, etc . To create more interest and awareness for some of these, Sawhney plans to revive, 'Playzone', a two-day on-ground marketing event, which will be organised early next year in 11 cities in south India.

Ask him about the potential threat from the sport channels launched by Doordarshan and Sony's SET MAX, and he simply says, "Competition is good for everybody."

▸ SANGEETA MENON

Music matters



Rajat Kakar readily admits that in his eventful career, he has invariably succumbed to the five-year itch. Now head of sales at Sony Music, Kakar's first job after his MBA from Punjab University was at Asian Paints. "It was the best training ground a rookie could ask for," recalls 35-year-old Kakar who worked in cities like Hyderabad and Delhi before landing up in Guwahati as branch manager north-east. After he had spent five years selling paint, along came an offer from Procter & Gamble to join its newly-created sales and marketing division in Mumbai.

The P&G years – which too turned out to be exactly a five-year stint – saw Kakar moving between Delhi and Mumbai on various assignments. He was part of the SPEED team in 1993 which was formed after the joint venture with Godrej came about. Then he was moved back to Delhi as senior district manager for soaps and detergents. "I changed seven homes in seven years," he remembers, "but in the process, I saw every nook and corner of the country."

All that legwork no doubt made him the ideal candidate to join Sony Music's start-up team in 1996. Leaving established P&G couldn't have been easy. "But the entertainment industry was getting legitimised and, frankly, the challenge of setting up a sales and distribution system from scratch is a once-in-a-lifetime one," he explains. Today, Sony's distribution network, based on what Kakar calls the FMCG-model, extends to 5,500 stores countrywide. The next big challenge: gearing up to take advantage of the retailing revolution which is seeing the emergence of speciality music stores. Three years into the job, Kakar is still enthralled: "There's so much happening here. Everyday is a new day," he says. That should keep the familiar itch in abeyance for some time. ◆

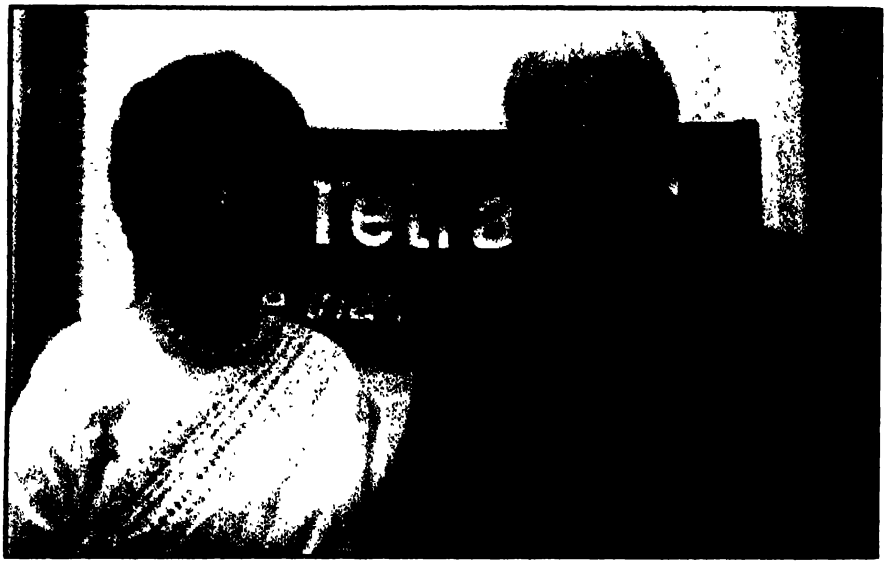
The Colgate challenge

The Rs1,030-crore biscuit major Britannia Industries Ltd is going great guns. The launch of its mass-brand Tiger was a huge marketing success as was its *Britannia khao, World Cup jao* promotion earlier this year. No wonder the company's marketing head Vikram Kaushik is a much wanted man. Kaushik has decided to end his long stint at Britannia and move onto his next challenge as marketing honcho at Colgate Palmolive. Kaushik's departure, confirmed by Britannia sources, is slated for end-November when he is likely to move from Bangalore to Mumbai to take up his new assignment as executive vice-president at Colgate. Present general manager (marketing) Maitreyi Kumar is likely to move overseas on a posting.

Kaushik, an alumni of St Stephen's, Delhi, has his work cut out. The toothpaste giant has been reeling under a relentless onslaught by Hindustan Lever on its core toothpaste franchise. Marketshare has been falling steadily over the years and, as every marketer knows, regaining lost share is no picnic. But this is not altogether unfamiliar terrain for Kaushik who used to be at Lever, where he spent time in the Lipton beverage business before he moved into the ad world at Enterprise Advertising.

Bowing out

The best thing about retirement from an active professional career, says Lila Poonawalla, was that Tetra-Pak India Ltd (TPIL) threw a 'thank you' party in her honour instead of the usual farewell function. However, Poonawalla, who passed on the managing director's reins to erstwhile deputy managing director Lars Nygren on 1 October 1999, continues to be chairperson of the Rs90-crore TPIL as well as group companies Alfa Laval (India) Ltd and Alfa Laval Agri (India) Ltd. "No one should be in the same situation for more than ten years," she says. "I had planned to retire when I was 55, and I kept to my plan." She now plans to spend a lot of time travelling, apart from her involvement with the quality circle movement, the Lila Poonawalla Foundation and other social endeavours. She also intends taking up teaching. "My five years at the helm of TPIL will stand me in good stead when I lecture in the business schools," she says.



Lila Poonawalla has handed over the reins of Tetra-Pak India to Lars Nygren

Nygren, a 27-year Tetra Pak veteran who has worked all over the world from Argentina to Vietnam, explains that his appointment is because there has not been enough time for TPIL to groom a successor to Poonawalla within the family. Besides, the network is more important than training — and he can 'pick up a phone and speak to anyone in the Tetra Pak world'. "There is really no question whether a person working with an international company is an Indian, a Swede, or anything else," he says. "We are all internationals."

New wine, old bottle

The Rs 694-crore Lupin Laboratories, which has never quite fully recovered from its misguided foray into real estate, is in the throes of a restructuring. Orchestrating this makeover is chairman Desh Bandhu Gupta's daughter Kavita Gupta, director (corporate development), who is being guided by McKinsey & Co. The exercise has taken its toll and longtime senior professionals are on their way out. In July, Lalit Kumar, head of international business, put in his papers, as did Sangram Mohanty, head of corporate communications. The latest person to head for the exit door is Manohar Arora, who was president (pharmaceuticals) before he was shifted (read: sidelined) to head special assignments.

The new top management structure at Lupin will consist of a committee of three executives reporting to chairman Gupta. Needless to say, Kavita will be one of them. There has been some speculation as to the identities of the other two. It is believed that Satish Khanna, an ex-Lupin hand who is now with Mistui, is returning to the fold as head of bulk drugs as well as the Lupin Chemicals business (this is likely to be merged with Lupin Labs). The other key recruit is surprisingly someone from outside the pharma industry — NRI manager G. Khandelwal, who was with the Al Ghanim group in Kuwait, is being brought in to take charge of the pharmaceutical business.

These new appointments are likely to cause ripples within. For example, Nitin Jaywant, another longtimer who was brought back from the loss-making Thailand operation and put in charge of bulk drugs, will find himself reporting to Khanna. The two used to be at the same level at one time. Pradeep Rane, a recent recruit from Ranbaxy will similarly have to report to Khandelwal. The churn at Lupin, which has still to shake off its image of being an overly family-dominated company, is far from over.



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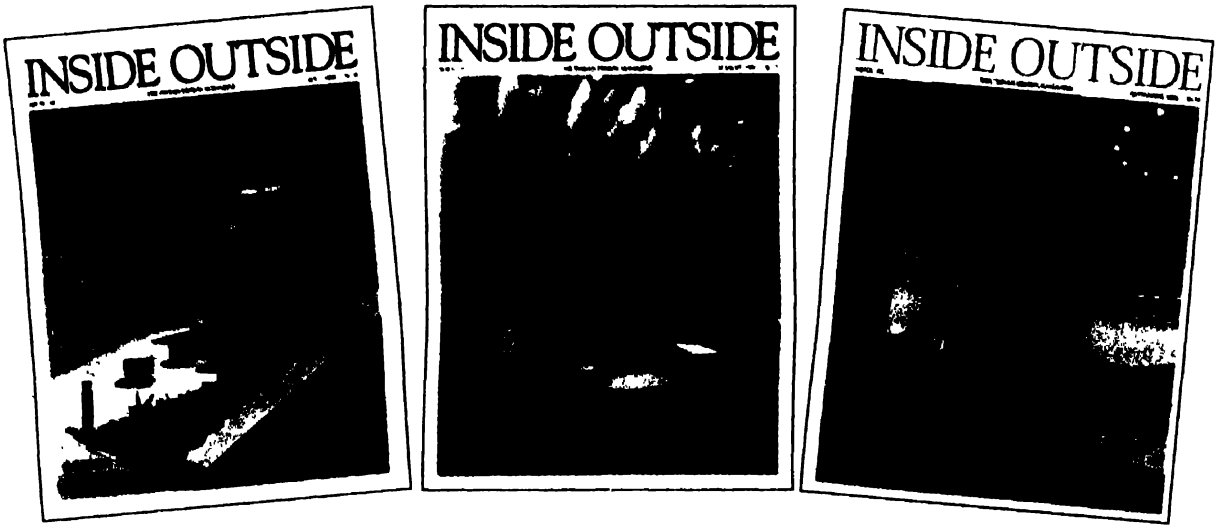
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Hollywood's menace



The Phantom Menace is the unofficial 'most eagerly awaited film ever'. The seeds of the movie were planted more than 20 years ago, when George Lucas was writing the story for the original. The movie was shot in just 65 days, while post-production work took another 20 months. Lucas has spent four years assembling his 130-minute, $115-million epic.

The Star Wars saga is a modern-day fairly tale reflecting the vision of George Lucas. Lucas imbued this new myth with pieces of American pop culture, including movie westerns, and Japanese samurai epics. Now, with *Star Wars Episode 1*, Lucas takes us back to the beginning, in which Darth Vader is a hopeful nine-year-old named Anakin Skywalker and Obi-Wan Kenobi is a determined young Jedi Knight.

The film itself is to be the first of three stated Star Wars prequels. Just as Star Wars stretched the envelope of 1970s special-effects technology, so *The Phantom Menace* nudges computer graphics (CG) and animation to today's limits and beyond. The movie uses more computer-generated shots than any other in history (it is crammed with over 2,000 digital effects shots) and boasts three times as many FX sequences as *Titanic*. Ninety per cent of the film has some sort of CG element. There is a blurring of the distinction between live action and animation. Lucas has always enjoyed a reputation as a master of special effects. Special effects cost him $45m – almost half the film's total budget.

This is cinema at the speed of sound, whizzing the audience around a bizarre Ben-Hur stadium while 'podrace' sleds









tied to giant thruster engines explode and crash on either side. Another breathtaking scene is the three-way light sabre battle and the amazing ground assault and simultaneous space-borne dogfight. Both stand out as the best of the adrenaline-pumping sequences. The movie renders jaw-dropping effects, surpassing even the original trilogy in the sense-of-wonder stakes, from the luminous beauty of a subaque city to the awe-inspiring cityscape of Coruscant. Lucas's universe has never looked so visually rich and intoxicating.

In order to realise his visual effects ideas for Star Wars, Lucas created effects house Industrial Light & Magic, which introduced computer technology to the film industry and revolutionised special effects. ILM, which began as what Lucas called a "commando unit" of 45 and now numbers more than 1,000 employees, has subsequently been honoured with 14 Academy awards for best visual effects and 14 Scientific and Technical Achievement awards for its breakthrough work in special effects on more than 120 films.

George Lucas has invented an entirely new vocabulary for making and marketing films and introduce the world to true modern meaning of the word 'blockbuster'. In November 1998, the two-minute trailer for *Phantom Menace* outdrew full-length movies. When a computer company made the clip available online, it was promptly downloaded by more than 10 million fans. *Vanity Fair*'s February issue, featuring some of the cast on the cover, become its fifth best-selling issue ever. Ballantine's $25 hardcover novelisation of the movie went on sale last week at the top of some bestseller list because of advance orders.

Lucas has also changed the face of movie merchandising forever. "If I wasn't a filmmaker," he once observed, "I'd probably be a toymaker." Star Wars invented a whole new era in movie merchandising both in terms of quality and saturation of product. A quarter-of-a-billion Star Wars toys have sold worldwide for some $3 billion.

◆ RAFIQUE BAGHDADI

Man with a mission

The erudite B.R. Chopra has for long deserved the Dada Saheb Phalke Award for excellence in cinema. It has finally come his way. The 85-year-old doyen has a body of work which Indian cinema can cherish for years, an _uvre of films that are not just socially relevant but also bold and thematic. Today's generation will remember Chopra *saheb* for the mythological epic *Mahabharata*, but if one is transported in the Wellsian Time Machine, then there is a staggering bag of films the purist will enjoy.



The monumental filmmaker finally gets the recognition he deserves

Naya Daur, which examined the social cost of development and starred Dilip Kumar, Vyjantimala, and Ajit, was probably a pathbreaker, followed by Ashok Kumar delivering *tour de force* performances in *Kanoon* and *Gumraah*. In fact, Chopra has specialised in this genre, using the courtroom to devastating effect in several of his films. *Hamraaz* with Sunil Dutt and Raj Kumar was part of the same genre. Many years later there was *Insaaf ka Tarazu* with Zeenat Aman and Raj Babbar. After over 50 years in the Hindi film industry as producer and director, Chopra has been there and done that, literally and figuratively.

Always clad in a safari suit, Chopra, with his booming voice, exploited the medium of television with great alacrity, after Ramanand Sagar's opus *Ramayan* saw deserted roads across the length and breadth of the country. But in terms of TRPs *Mahabharata* was arguably an even bigger blockbuster.

Ittefaq, directed by brother Yash Chopra with Rajesh Khanna in a stellar role, was another benchmark. And who can forget *Waqt*, a multi-starrer when that was not fashionable, with Raj Kumar spectacular, his famous line part of film folklore — *"Chaku se nahin khelte, haath cut jayega!" Kanoon* was probably the first Hindi film made without a single song. Chopra's movies have always stood out for their strong characterisations and strong performances by the lead. Be it Ashok Kumar or Sunil Dutt or Rajesh Khanna, Baldev Raj Chopra has been a man with a mission in Bollywood.

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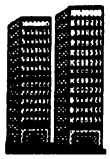
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The Muslim question



AMBIGUITIES OF HERITAGE (FICTIONS & POLEMICS)
By C.M. Naim
City Press, Karachi (Pakistan)
Distributed in India by Katha
pp213,
Pakistan Rs225

One of the most surprising (and sorry) facets of the 'Muslim question' in India is that it comes under public focus and gets debated only during the elections. Otherwise the Muslims are left to fend for themselves; largely ignored. Post-Ayodhya, this trend has become even more severe. Whether one likes to acknowledge it or not (and it is, indeed, hard to acknowledge for a vast majority of Indians) the second largest majority in India has been virtually left behind as India moves ahead. What is alarming (from the Muslim perspective) is that the social discourse in India is rapidly being transformed. The political class and the intellectuals — who made the biggest noise about the need for minority emancipation for the first four-and-a-half decades — are today in a desperate hurry to globalise India. Their push towards the political-economy of the market is based on what they think is a solid principle: the market has consumers, not Hindus and Muslims. The market does not recognise religion — it only uses religion to sell a few more goodies during the festive season. If this principle works, most of India's problems will be answered in the next decade, if it doesn't, even religion won't save India.

C.M. Naim is among the more fortunate Indian Muslims, having had the benefit of modern education and then an opportunity to migrate to the United States of America. Naim teaches at the Department of South Asian Languages and Civilisations at the University of Chicago. His slim book is a collection of polemical essays and some works of fiction. This review concentrates only on the essays. Naim's essays pertain to what is generally described as the 'Muslim problem' in India. The essays span more than three decades and have been written with unerring clarity. Having been outside India for many decades, and thanks perhaps to his academic roots, Naim's views on the 'Muslim question' are dispassionate and objective. According to Naim, the 'Muslim question' has to be studied from two different perspectives: "Camp A feels that Muslims are hampering social and political progress in India by refusing to be truly modern and, in the opinion of a few, truly Indian... those in Camp B feel that Muslims, far from being a problem for others, are facing severe hardships in India, that they are threatened with physical as well as cultural annihilation." In the essays that follow, Naim analyses that "whereas the protagonists of Camp B insist on what they claim are concrete and immediate issues, ignoring ideas, history and abstractions, those in Camp A put more emphasis on the latter."

Naim clearly belongs to the old school of intellectuals and scholars. This section, despite knowing that there is, indeed, a serious problem with regards to the minorities in India, would like to believe otherwise. This belief is based on the hope that some miracle would bring forth a change of heart amongst the people and their leaders, and this would usher in the great new dawn of awakening. Unfortunately, the history of the last five decades has shown us that for every positive step taken towards the emancipation of the minorities (religious, caste, gender), there have been several steps backwards. Further, this class is convinced that the nature of problem has to do not with the basic differences in perception and attitude of the communities that comprise the Indian nation, but with attitudinal problems based on intolerance, periodically fuelled by the political class and the clergy.

Naim feels, "The communal problem in India is not that people do not have freedom of religion, but that an individual cannot yet enjoy freedom of conscience without suffering reprisal at the hands of some organised group or another. We have allowed for too long in our country an exploitation and brutalisation of the individual by dictators of one kind of group solidarity or another." This is only partially true and was relevant about three decades ago. We need to recognise that Naim's "dictators of one kind of group solidarity" have in these three decades successfully contested and won elections, assumed positions of power and actively worked against social and political reforms. Pertinently, examples of this phenomenon are not restricted to just the majority community.

He argues, perhaps more out of idealism rather than any solid evidence, that India does not have a 'Muslim problem'. Naim writes, "I reject the assertion that India has a 'Muslim problem'; that label is not only dangerous but indicates nothing of the complexities of the issues involved. I recognise that the Muslims in India have problems, but I hasten to add that some of the problems are by no means exclusive to them, and most are of their own making." This is nothing but old-world idealism and it is this idealism about the 'Muslim question' that is so refreshing about Naim's book. He admits, "I began this study with the purpose of clarifying the issues for my own satisfaction and I submit them here only as the views of a concerned layman, who claims no expertise in the sciences of social behaviour and manipulation."

Naim's essays are replete with insightful observations that deal with every conceivable issue involving Indian Muslims. *The Second Tyranny of Religious Majorities* is a particularly astute essay. Here Naim looks at the issue from a South Asian perspective. While discussing religious persecution of minorities in India, Pakistan and Bangladesh, he observes, "Clearly, in the South Asian subcontinent, a nexus has emerged between religious organisations and a range of political parties, each believing that it can exploit the

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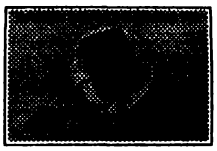
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other to its own benefit. But what might seem a cynical tactic on the part of the latter, is for the former an unambiguous step toward their greater objective: a non-pluralistic national polity *and* an undifferentiated national religion — both controlled by the same small group of people.... Seemingly arising out of failure to deliver the goods on the part of the nationalist movements in the three countries, this phenomenon is no less an artifice of the same nationalist bourgeoisie. This time around they wrap themselves in the green or saffron of religion more blatantly and make concessions to religious leadership more readily. The common objective remains the same: a highly centralised state, protective of patriarchal norms and little concerned with social and economic justice."

Naim's solution is, without doubt, correct. But it hasn't worked in all these years. He argues, "It would follow then that only a substantive enhancement of federalism and secularism in the three nations would counter this nexus.... while federalism has lately gained much vocal and actual support in the subcontinent, secularism seems to be endangered... even in India, it has now become increasingly common to condemn secularism — the strict separation of religion and state — by calling it a Western concept which does not accord with the Indian reality... only an absolute separation of religion and state can ensure protection to individual citizens...." But this simple truth has not found many takers in the three countries. Importantly, over the last few decades, as Partition becomes distant memory and the lessons learnt during that era (despite their continued relevance) are forgotten, we need to look afresh for the solutions. We need to develop a truly South Asian paradigm to understand religious intolerance and develop means to channellise the energy unleashed through this in a more productive and less destructive manner. This, of course, is easier said, but to fall back upon Western ideals, even if they seem to offer the only obvious answers, is really not going to take us nearer the answers.

◆ MAYANK BHATT

Readers' agony, writer's right



THE AGONY OF INDIA — REFLECTIONS OF AN ANGRY INDIAN
M. Francis Abraham
East West Books (Madras) Pvt Ltd
pp300, Rs175

The dedication of the book — "to the majestic temple elephants of Kerala whose ill-treatment floods the heavens with tears and sorrow" — sets its angry tone. M. Francis Abraham is, indeed, one angry Indian. He is in the right company. With the population of the country reaching one billion, there would be very few Indians who are not agonisingly angry with the conditions that prevail in India. This is true for the less fortunate RIS (Resident Indians, not Rigorously Imprisoned) as well as the more fortunate NRIS, to which category, one presumes, Abraham belongs.

Abraham's book is straight from the heart. And, to use a cliché, his heart bleeds for India. An established academician, he has "authored or co-authored and edited nine books, chapters in several books and published numerous articles". He is, among other things, a professor of sociology at Southwestern International Studies Consortium in Louisiana, US. Despite such wonderful achievements, he tells us that "this is an unusual book based on personal experiences, observations and perceptions, and not designed to be a piece of scholarly work. As a concerned citizen of India who is interested in the future of my motherland, I believe I have the right — and many reasons — to be angry." Having said so, Abraham describes in great detail what exactly is wrong with India. More than two hundred pages of the book are devoted to this and they make for really sorry reading.

There is nothing new in these pages. Every issue is known, every problem has been discussed to death, every situation analysed threadbare. Abraham exhaustively deals with each of the problems. A look at the chapters reveals the seriousness with which he tackles his task. The book has following chapters: The Economy: Even Distribution of Misery; Politics of Crime and Corruption, Where Goons and Godmen Comingle; Education: Race to the End of Reason; Religion: The Art of Banishing Scriptures; Preaching a Casteless Society: But No Caste, No Service; Population, Women and the Gender Gap: A Policy of Gimmicks, Chicanery and Self-aggrandisement and finally Media, Morality and the Social Malaise: The Classic Values Controversy Minus Class and Values. These are chapters that make for tedious, energy-sapping reading.

There is really no need here to discuss what these chapters say because they say everything that has been said before and will be said many times over. It is the final chapter *Where Do We Go From Here?* that needs some discussion. After exhaustively and often exhaustingly dealing with the problems, Abraham offers solutions. But here again, he doesn't come up with anything that is remotely original. This is truly the biggest failure of both the book and the author: Complete absence of originality.

Take a look at the first solution that Abraham offers:

"...let us organise a National Convention, along the lines of the Constituent Assembly which framed our sublime Constitution, and formulate a new national policy and code of conduct... the Convention must prepare a National Pact with a code of conduct, guided by norms and principles, and require every political party to sign the document. For example, the Pact must specify means to decriminalise politics, depoliticise educational institutions and labour unions, ensure proportional representation for women, and prescribe a code of conduct for all national parties and government officials. The enforcement of the National Pact must be overseen by a National Commission consisting of men and women of highest integrity and no political ambitions...."

This is deliciously vague and

feel-good rubbish. There are other suggestions which fall under the same category:

- The Lok Pal must have absolute powers to investigate any private individual or public functionary without reference to any other agency or individual.
- Every citizen of this great democracy should have the right to examine any document from the village office to the office of the President of India... this (is) an inalienable right of every citizen whose hard-earned money is being misused or stolen everyday by people who are its trustees.
- Meetings of all public bodies shall be held in public.
- Parties shall strive to field candidates who are resident in the local constituency... it is important for candidates to cultivate their own constituency and work with local people on a long-term basis.

The above is only an illustrative and not an exhaustive list. Also included in the recommendations are such obvious points as declaration of assets by elected representatives and ministers, strict adherence to the principle of one man-one post... the list is endless and mundane.

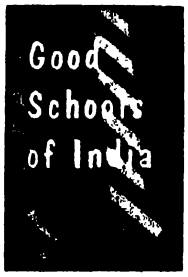
This book is nothing but an exercise in megalomania. After writing it, Abraham must have felt satisfied that he had finally performed his duty to his motherland. Not only had he discussed the problems in detail, he had — unlike some more responsible commentators of the national scene — not refrained from offering solutions.

Abraham would not have bothered to write this book had he answered this simple question: Why would anyone be interested in reading about what is already known? Abraham has done his duty, the reader may be excused if she/he fails in her/his duty and abandon the book somewhere at the end of the first chapter.

There are many in India who can write such a book, there aren't enough publishers willing to publish them. Thankfully.

♦MAYANK BHATT

All about schools



GOOD SCHOOLS OF INDIA: A GUIDE TO THE BEST RESIDENTIAL SCHOOLS
By Sandeep Dutt
The English Book Depot, Dehra Dun
Rs395

Did you know that one out of every two residential schools in India are boys schools and that there are only nine – yes nine – exclusively-girls schools? And, paradoxically, Uttar Pradesh with one of lowest literacy levels in the country, leads the pack with the highest number of residential schools. The state, along with Tamil Nadu, Maharashtra, Karnataka and Himachal Pradesh, accounts for nearly half of India's residential schools.

These are some interesting facts about Indian residential schools in the book under review. Authored by Sandeep Dutt, an alumni of the Doon School and a law graduate who currently heads the National Training Team of the International Award for Young People, the book provides a detailed description of the 103 best residential schools – state-funded and independent, girls, boys and co-educational.

An interesting feature of the book is the guidelines it lays down for choosing a school. These include proximity, fees, subject choice, teaching methods, size of the class in terms of number of pupils, etc

The schools include all the most famous and academically successful ones as well as some specialised institutions – *sainik* schools, military schools, sports schools, schools promoted by the corporate sector, schools of missions and welfare organisations. Some lesser known schools which impart quality education have also been included. According to Dutt: "Most of the information was provided by the schools, a few were even visited by a team of experts and each entry captures the essence of the atmosphere of the school, breadth of the curriculum, provision for sports, art, drama and hobbies, and general information about fees and admission."

Each school is devoted 3-4 pages listing contact details, its mission statement, resource generation, background, campus atmosphere, brief staff details, number of students and an outline of their performance at the examinations, sports and extra curricular activities, fees and scholarships, admissions, etc. "This book is merely a starting point," says the author. He advises parents to "ring up the schools they're interested in and get the current information from their latest prospectus. An interesting feature of the book is the guidelines it lays down for choosing a school. These include proximity, fees, subject choice, teaching methods, size of the class in terms of number of pupils, stress on discipline, parent associations, assessment and reports, sports and extra-curricular activities, special education and student welfare, among others. "The school environment will have a considerable influence on your child so it is reasonable to expect the values promoted by the school to at least approximate your own. You need to work out what you want from a school before asking what a school has to offer."

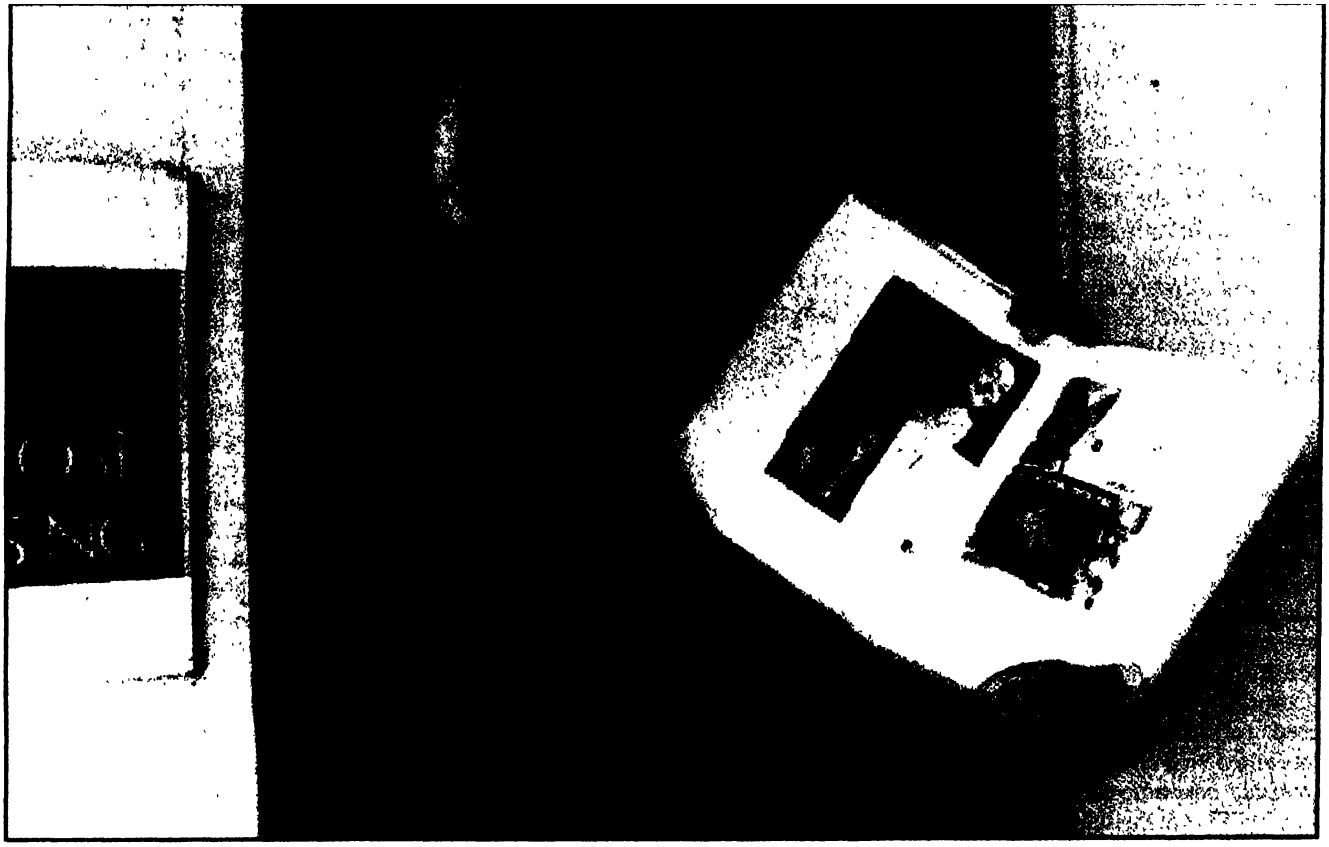
The book which is also on the Internet at www.goodschools.net has sections on educational philosophy, what makes for quality in education, the role of private sector in quality education, advantages of co-educational systems, and a comparative chart of schools adopting the CBSE and the CISCE patterns of education. Thus, we are informed that while the passing threshold under CBSE is 33 per cent, in the case of CISCE it is 40 per cent. Similarly, CBSE recommends NCERT books and promotes both English and Hindi mediums whereas CISCE selects its own textbooks and offers education only in the English medium. All told, the book, a first in India, is a commendable effort which will help parents weigh carefully all the available educational options for their children.

♦ANOOP BABANI


PALASHRANJAN BHAUMICK

Coming to America, comfortably

The long, serpentine queue which begins to form in the wee hours of the morning outside the US Consulate at Breach Candy in south Mumbai is a familiar sight. Not any more. The city's leading travel agent, Shree Raj Travel & Tours Ltd, has built a Raj Visa Pavilion in the adjacent parking lot that provides seating for 300 applicants. That's not all, the pavilion is equipped with a water cooler and an interactive touch-screen kiosk with information for visa seekers on the different categories of US visas and other related information. In addition, there is a coach to transport 20 applicants at a time from the pavilion to the consulate. "People stood in queues for hours braving the heat, sometimes the rain, without water and with no place to sit," says Lalit Sheth, CMD of the travel agency. "Besides, some applicants had come from other states. And with people crossing the road abruptly, it was a traffic hazard," he adds. A good idea indeed. •


UMESH GOSWAMI

Indian advertising matters

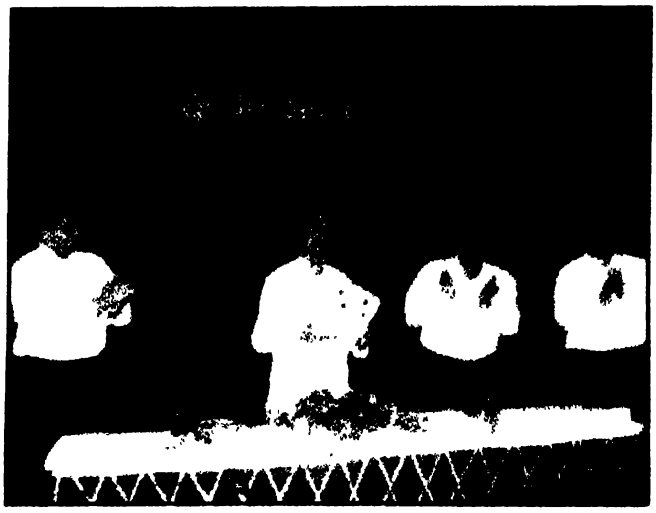
Indian advertising is as good as any other in the world. Did we hear you say otherwise? Take a look at the first ever *Showcase of Indian Advertising*, launched by the India chapter of the International Advertising Association. The book includes more than 200 of the best advertisements created in India over the 1995-98 period. "We Indians never speak of our advertising. Though MNCs adapt their advertising to the local market, there is some very good original advertising being done as well. This is our way of telling the world that our advertising is good," says Amol Bose, convenor of the Showcase. Bose, who initiated the project and has been its guiding spirit, faced a formidable task. For one, he was breaking new ground. A book of this kind has never been attempted before in the history of Indian advertising. And the advertising community was spread over 3.2 million sq km. That everything fell into place was a fitting tribute to Bose's good intentions. •



The Ambani bahus are as active as their husbands. While Tina keeps busy with the Harmony show, older bahu Nita Ambani has turned the Reliance Industries' Jamnagar township into a world-class facility. Barely was that over, she became involved with the new pediatric ward that has been recently opened at the Sri Hurkisondas Nurrotam - das Hospital in south Mumbai. Mother-in-law Kokilaben, who has been a constant source of encouragement, inaugurated the new ward. Nita has been involved with the hospital since the Dhirubhai Ambani Foundation took it over a year-and-a-half ago, but more actively since completing Jamnagar in June this year. Nita had the ward decorated personally. "My children are scared of hospitals. So I've tried to make it a joyful and cheerful place for children," she says of her four-month effort. Nita's focus will continue to be on health and education initiatives. Currently work is on at the hospital's underground parking lot. Besides, the hospital is adding a new wing, which should take two years to get completed. •

Chronicling education

Last fortnight Asian Paints released a book *Kunchale Un Kalam*, a compilation of articles written in the magazine *Tutari*. Now, *Tutari* is not an in-house magazine — it doesn't have any pictures of newly-wed employees — but was the company's effort to educate workers regarding employee-employer relationships. The magazine essentially supplemented the government's workers education scheme some 30 years ago. "The articles in *Tutari* were written by various workmen and senior company directors educating employees on the changing scenario. As the articles chronicle major labour unrests and other events, it turned out to be quite a collection. Hence we thought of compiling them into a book," says Vivek Patwardhan, GM-HR. The book is edited by Patwardhan and has a foreword by noted Marathi author Vijay Tendulkar. •



"Politicking cannot be ignored"

He is the longest-serving chief minister of Madhya Pradesh — the largest state of the country. He is the only chief minister of the state to have worked with three Congress presidents — P.V. Narasimha Rao, Sitaram Kesri and Sonia Gandhi. He is the only chief minister to have lost three successive Lok Sabha elections in the state. Yet, defying the anti-incumbency disadvantage, and the predictions of pundits and critics, he retained the state for the Congress last year. As he prepares to step into a challenging second year of his second term, **Digvijay Singh** spoke to *Business India*'s **Anil Sharma** on a wide range of issues

Q *Why didn't the "Digvijay magic" work this time in the Lok Sabha elections?*
A You see, the Lok Sabha elections were quite a different affair this time. There was an undercurrent of sympathy for prime minister Atal Behari Vajpayee, and we could not counter it effectively. Then the issues were quite different this time as compared to the Vidhan Sabha elections. Besides, our elections have become more personality oriented.

Q *Then isn't it a logical corollary of this thesis that the people have rejected Sonia Gandhi in the Vajpayee versus Sonia battle?*
A No, you cannot come to this conclusion. In fact after the BJP gave up its hardline and aggressive Hindutva, Vajpayee has become an acceptable leader for most of the non-Congress parties. Then you cannot really say that the BJP has won this election. It is the allies that have ensured the formation of the government.

Q *It is being argued in political circles that you have a measure of calibrated control over the affairs of the state, and you have ensured the defeat of some of the prominent leaders like Motilal Vora and Ajit Jogi. How do you respond to these charges?*
A I cannot understand the logic behind this. How does their defeat benefit me? After all they were MPs in the previous Lok Sabha as well, and there were no problems or challenges for me.

Q *What about V.C. Shukla?*
A If the party high command decided



SORAB MEHTA

against giving him a ticket, how can I be held responsible?

Q *You seem to be seen politicking even at the cost of the developmental affairs of the state. Is it for this reason that Madhya Pradesh has some of the worst roads in the country?*
A You cannot separate the two. Politicking cannot be ignored even as one attends to developmental affairs. I have paid adequate attention to these affairs, and if the roads are in a bad shape then there are other reasons. We are the largest state, and this year we have had an extremely intense monsoon with rainfall reaching 90 inches in some areas. This has had an impact on the roads. We have made attempts to involve the private sector in the development of roads, and we are seeking a World Bank loan for this purpose as well.

Q *But what about the sluggish implementation of the privatisation programme in the power sector?*
A The power position in Madhya Pradesh is surely better than what prevails in many of the developed states. The privatisation programme has been sluggish because of the litigation surrounding the grant of escrow cover.

Q *Even your programme for the privatisation of the diamond mining business has not taken off.*
A We have done everything at our end. The joint venture company is in place, but the Central government has not granted it the necessary prospecting licence. They have been promising to do that for months now.

Q *One area in which you had shown a lot of interest at the beginning of your second term was information technology. You had appointed a taskforce under the chairmanship of Prof. Yashpal, but nothing seems to have happened after that?*
A The report of the task force was forwarded to all the departments to formulate ways and means for implementing its recommendations. It is true that because of the Lok Sabha elections, for three to four months we could not do much about it, but now we will be taking it up.

Q *Both you and the BJP are publicly committed to the separate state of Chhatisgarh. When do you think this state will be formed?*
A It is upto the BJP now to take the necessary steps. The ball is in their court.

Q *But, like Bihar, will you also demand a compensation package?*
A Of course, otherwise how can the separate state be created. It is an exercis that involves at least a few hundreds of crores if not more. Then the Centre has to provide for these funds, because the BJP has made a promise to the people of this state. Both the states should remain viable after the separation. •

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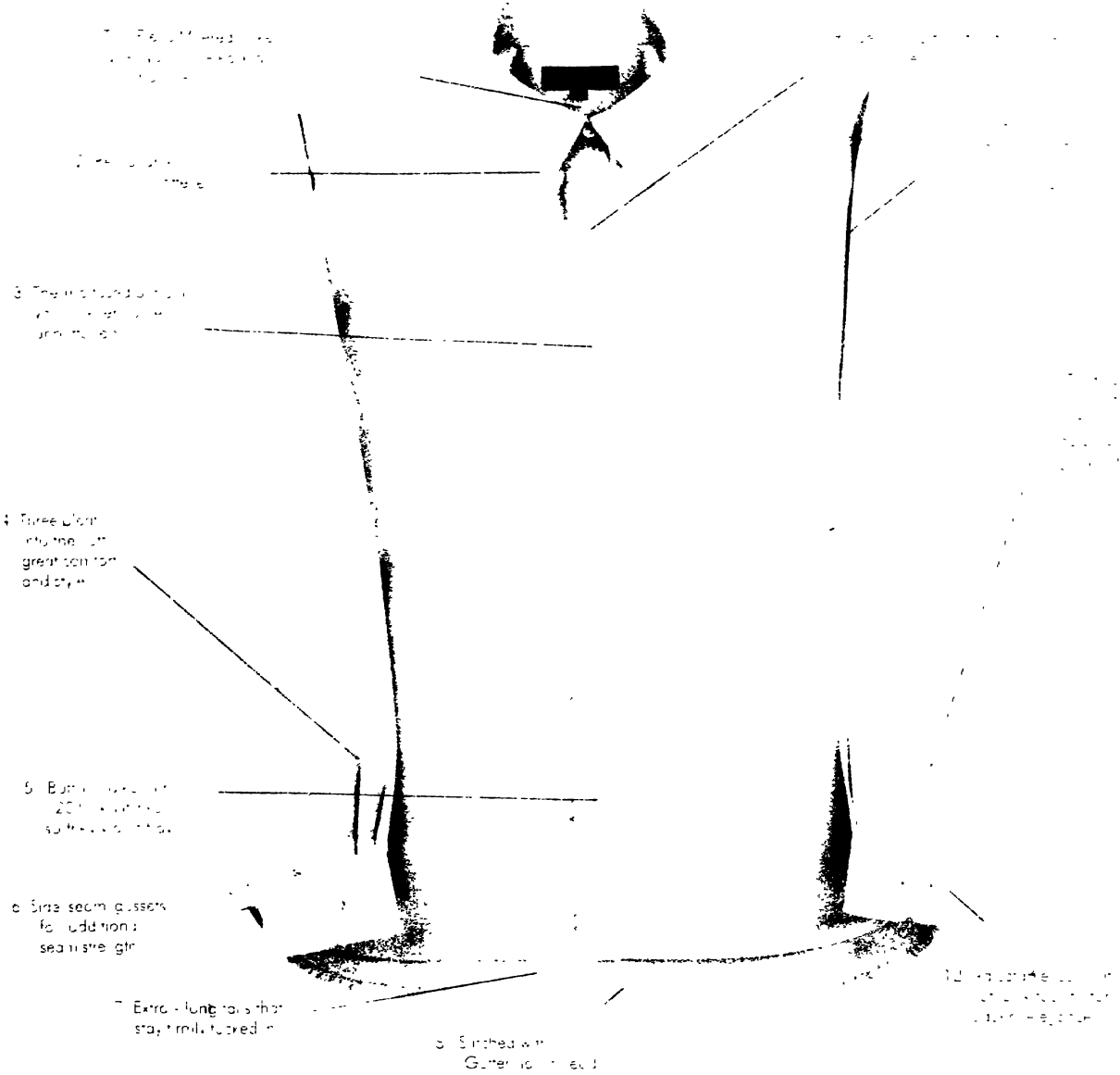
STOCKMARKETS

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NEW MOVERS

How the dynamics have changed on the Indian bourses

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Business India

The stock boom is also for real. Many lay persons, government officials and even seasoned businessmen are both surprised and puzzled by the strength of the bull run. But in truth the run-up is easily explained.

To put it quite simply, you can't keep a good market down forever. Most people tend to forget that the market was down well before the Narasimha Rao government, with Manmohan Singh as finance minister, lost the elections. For a little over three years conditions in the market were terrible. Many leading brokers over the age of 50 say those years were the worst market years since the Chinese war in 1962.

But there are several positive reasons why the market should be buoyant. Quite simply, the industry is doing very well in India. There will be many who will dispute this statement and claim that large parts of industry are still not out of the woods. They also claim that it is only a few sectors like pharma, FMCG and software that have caught the fancy of investors. But when we say companies are doing well, we should qualify that by adding only those companies that used the first half of the 1990s to clean up their act and become competitive, are prospering. You find such companies in every industry including even the so-called sunset industries of engineering and textiles. In fact, ask any broker or analyst his favourite top 10 companies and you'll see the range of industries covered. Having said this, one must also remember that with licensing gone those companies that did not invest adequately in technology, scale of manufacturing, marketing, etc, to become competitive, continue to lose market share and will find it increasingly difficult to make a comeback.

There are two other points that must be noted. First, trading volumes are up significantly. Virtually every month the BSE and NSE establish new records for trading volumes. All this has made the markets more efficient and attractive in terms of bringing in both more players and fresh infusion of funds.

The other important point to note is that for the first time after years, it is the domestic players, and not the FIIs, who are setting market prices. Domestic mutual funds are also gathering pace. What we are seeing is the emergence of a host of new players and faces, backed by significant amounts of real money driving the market.

Over the last few years, as many industries and companies have put their houses in order, the stockmarket has also witnessed a sea change, notably from the open outcry system to the screen-based one, from the risky physical form of paper-based trading to the less hassle-free demat. In fact, the number of scrips entering the demat mode is rising.

Of course, in any free market, where the regulations are not fully developed – like ours – there is bound to be the occasional scam or a few black sheep who break the rules. They ought to be dealt with severely.

But that does not mean that the boom is not for real.

in this issue

BI Index	18
Books	197
Businessmen in the News	34
Business Notes	47
Column	54,90,154
Corporate Reports	92
Cover Feature	66
CyberNews	21
Economy	62
Economic Indices	64
Editorials	11
Executive Focus	166
Executive Track	168
Feature	143
Finance	115
Focus	84
Follow-up	26
For Your Information	17
Government & Politics	55
HRD	126
Infotech	146
International Briefs	165
Internet Addresses	150
Interview	202
Labour	138
Letters to the Editor	6
Listening Post	14
Management	122
Manufacturing	128
Marketing	118
Market News	156
Marketwatch	160
Mutual Fund Monitor	164
Newscast	28
Panju's Page	60
People	200
Retailing	117
Selections	192
Special Report	74
States	135

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Corporate Reports

92
PEERLESS ▶
Peerless had often sailed dangerously close to the wind but had always managed to get away with it. But with the RBI getting tough on private sector finance companies, Peerless was a perfect candidate an overhaul.

96
WOCKHARDT
Product and price rationalisation, a sound management ethic, and a revitalised field force at Merind have enabled Wockhardt to acquire mass

103
IEL ▶
Sporting a leaner and fitter look, Indian Explosives Ltd is exploring ways to claim the top slot in the market

108
HINDUSTAN MOTORS
Quick fixes are unlikely to save

55
Government & Politics
- There is considerable scope for cooperation between India and Singapore in infotech
- There are wider connotations to the charge of leadership in UP

62
Economy



A look at the impact on the Indian economy of conditions in three major

84
Focus
With the Insurance Bill tabled in Parliament, the sector is being hailed as the most attractive after IT

115
Finance
The RBI is seeking the Centre's approval to permit banks to issue preference shares in order to shore up their capital

117
Retailing
A company that's set a trend in the retailing and export of exquisite home furnishings





Hindustan Motors' terminally ill Uttarpara plant

118
Marketing
Moët-Hennessy is aggressively promoting its champagne and cognac brands in India

126
HRD
Getting celebrities to visit the shopfloor is proving to be a great motivational tool at Alfa Laval

128
Manufacturing
In a rare case of convergence, digital technology inside TV sets brings not only exciting new features to consumers but also easier and more reliable manufacturing to TV makers

138
Labour



- The management and a section of Stanchart employees are locked in confrontation over the latter's refusal to accept early separation
- As the finance ministry is busy formulating a national policy on PSE restructuring and disinvestment in states, the labour ministry is looking forward to be heard too

11
Editorials
- The name of the game today is wealth-creation
- Trauma visited by humiliation and apathy may sum up the fate of the hapless millions in Orissa
- India's development planners have always been overawed by the size of its population

26
Follow up
- Kotak Mahindra was negotiating to sell 4.5 per cent of Asian Paints equity to the promoters. Now the Rs74.5-crore deal has been concluded
- After several months of dithering by authorities on restructuring package for SAIL, in-principle approval has finally come.
- Shree Krishna group is planning an entry into power, besides looking at strategic foreign collaborations

47
Business Notes
- Auction sites such as eBay have been making waves in exciting world of e-commerce.
- The ICICI Knowledge Park may well make it the 'Knowledge City' of the new millennium.
- IPR and Indian industry
- Hotel chains have been busy to retain old customers and to encourage new ones

202
Interview
Vilasrao Deshmukh appears confident enough to ensure that his government completes its full term

COVER FEATURE
66

Marketing markets

Emergence of new players within the stockbroking fraternity and changing dynamics has stimulated a renewed appetite for stock-picking on the bourses



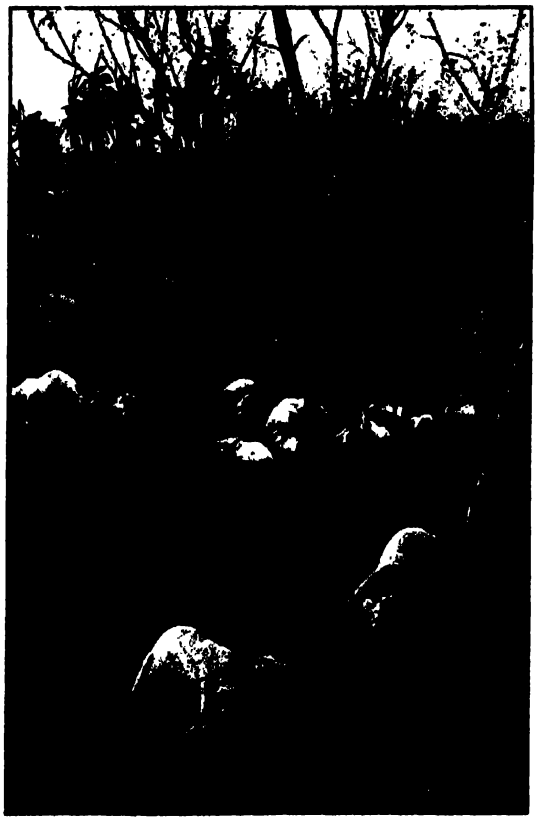
HARSH NAYAK



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SPECIAL REPORT
74

Rebuilding Orissa, devastated by the recent cyclone, will be no mean task

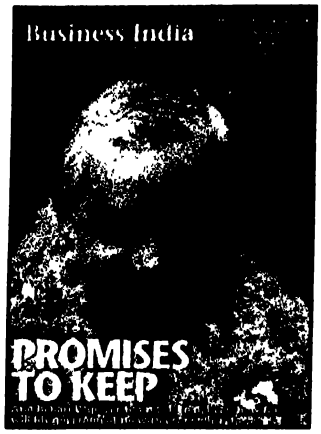


T NARAYAN/OUTLOOK



FEATURE
143

Having enjoyed cushy jobs and comforts in the corporate world, a bunch of executives – in their 50s – are striking out on their own



• Tough job

With 79 ministers and 24 parties to manage, Prime Minister A.B. Vajpayee has a tough job coordinating his ministry (Cover Feature, 18 October). And people have great expectations of his ability to head a stable government, to protect the secular credentials of the state, and to meet the basic needs of the people and the aspirations of the different regions. This is perhaps his best chance to prove his worth.

The diesel price hike, the lorry strike, etc, are initial testings. But he should be able to take hard decisions and stick to them. And, in the process of carrying forward the second-generation reforms, perhaps at a faster pace, he has to see that the benefits reach all sections of society. But will the new government keep its promises?

A. JACOB SAHAYAM
Vellore

• Divestment the key

The effusive response to the recent VSNL public issue as well as the stability signals from the Centre and the firming up of the stockmarket have doubtlessly paved the way for other public sector units (PSUs) to off load their government equity (editorial, 17 October). With several Indian scrips successfully entering overseas markets, high premiums can be charged in respect of such PSU issues. But such issues have first to be made lucrative on account of their limited chances of appreciation as well as investor fears about the policies framed by their bureaucracy managements.

But while thinking of the long-term survival of these PSUs and their employees and also the fact they are part of government machinery, the government should also realise that funds garnered through disinvestment can be used for technology upgradation, etc, simultaneously developing the country.

AKHILESH KUMAR SATI
Faizabad

• Withdraw hike

The Vajpayee-led coalition government's decision to increase the price of diesel by 40 per cent is totally unjustified as it will in turn induce inflationary trends in the prices of all essential commodities. This will hit hard the common man, already reeling under a crippling cost of living.

The Vajpayee regime has rendered immense disservice to those whose mandate it enjoys. It is time the authorities review their decision. Or else they will have to pay a heavy price as it is difficult to rule when the coalition is besaddled by 24 disparate parties with variant ideologies and opinions.

BHAGWAN THADANI
Mumbai

• Big financial mess

With reference to *Skidding on oil* (17 October), we do not need Cassandra-like predictions of the self-appointed prophet of the poor and the clean, Manmohan Singh, nor his Manmohanomics. Public memory is not that short that people do not remember that he dominated over the finances of India for over three decades, starting as economic adviser and moving on to become finance secretary, with the kind courtesy of Indira Gandhi, then secretary to the Planning Commission, before becoming the Reserve Bank governor. Finally, he moved to the greener pastures of the IMF and that is how Manmohanamics landed us in a financial mess. It worsened during his tenure as finance minister, again with the kind courtesy of the then prime minister P.V. Narasimha Rao.

He was so simple that he left his bungalow at Lodhi Estate for a larger mansion with a battery of staff, dogs, cars and chauffeurs, also arranging plum postings in Delhi for his son-in-law and several other close relatives. Besides, so clear was he that he produced an affidavit and certificate of false residence in Assam, on the strength of which he entered the Rajya Sabha, of which he has today been declared the leader.

ALLADI SARADA BALASUBRAMANIAN
Hyderabad

• Advertising trends

Reading below the line (17 October) mentions that "companies are working up to the fact that advertising works better coupled with below-the-line activities". It is crucial to understand customer satisfaction and also ensure accurately representative advertisements in the media. Perhaps to cut costs, most Indian advertisements do not provide full details of their products.

One shortfall is that the advertisements often do not mention the prices of the products, denying consumers the information to decide about their affordability. We should borrow from the foreign advertisements' meticulousness in presenting every illustrative detail of the products with suggestions as to why the customer should buy them. Such effective advertisements can infuse buyers' motivation and thereby overcome recession. This way Indian goods will also enjoy a growing demand in foreign markets.

A recent trend in Indian advertising is to promote the product by film and sports stars and celebrity models, since these people have something in common, namely, name, fame and wealth, which are also the goals of today's generation. Most people, especially youngsters, are impressed by the personal lives of these people whom they consider their role models.

MAHESH KAPASI
New Delhi

• Clarification

Your Listening Post snippet (31 October) made unsubstantiated statements about *Gentleman* magazine, your correspondent evidently latching on to one truth and coated it with half-truths and fabrications to buttress his preconceived notions.

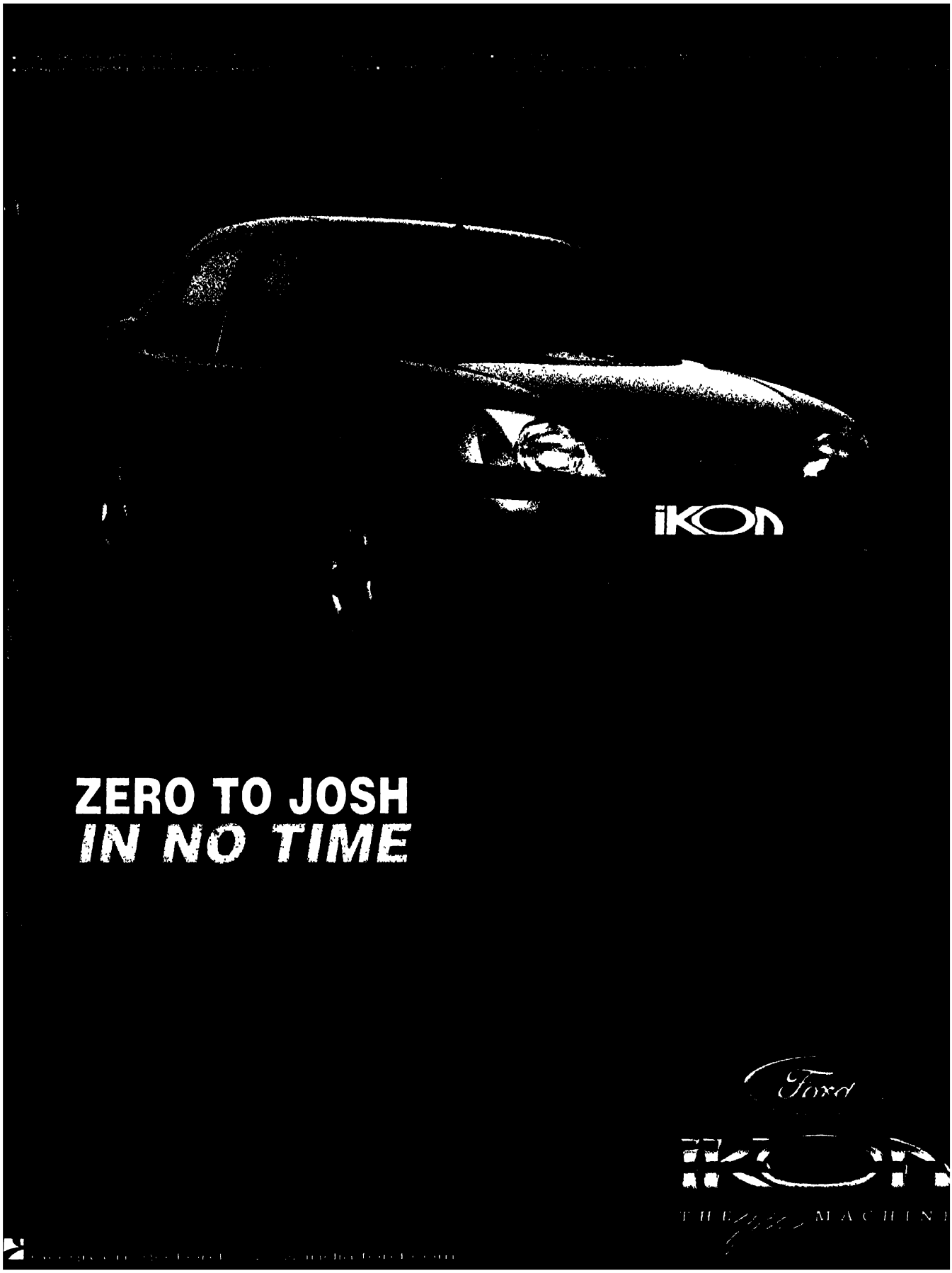
While I have indeed put in my papers, it is preposterous, even mischievous, to attribute my decision to the shifting of the magazine's printing to "either Bangalore or Chennai". After six years in one job, it is compelling professional need for me to explore new avenues and seek new challenges and I leave *Gentleman* with a great sense of fulfilment and with the knowledge that it is in safe hands. Far from being in a "tumult", *Gentleman* today is at its healthiest.

The shifting of printing to Chennai is not a sign of financial ill health, but a strategic business decision. As our new printers, Living Media, offer us the same quality at a more competitive rate, it would be foolhardy not to take up such an offer. And to nail the most blatant lie, publisher Rajeev Sarkar is not the new editor of Gentleman. The post is vacant. But judging from what's on evidence, your correspondent need not apply.

SAMBIT BAL
Editor, Gentleman
Mumbai

• Correction

In our Credit Policy interview in the 1 November issue we quoted RBI governor Bimal Jalan as saying that the two-week time lag required for banks for maintainance of CRR was effective from the fortnight beginning 1 January 2000. The correct date is 6 November 1999. We regret the error.

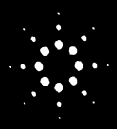


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Has FICCI forgotten?

It is indeed surprising that august industry associations should adopt a conservative attitude where this is least required

Globalisation and free market forces are buzzwords that have defined the decade of the 1990s in India and one would be hard put to find the person in the know of things who does not swear by the two concepts. To declare adherence to free markets and actually conduct business according to the rules of the game are two different things; fact is that they are pretty hard concepts to live by, especially when self-interest is involved. Yet it is under such circumstances that principles are really tested. Predictably, at times the results can be piquant to say the least.

A few weeks earlier FICCI and ASSOCHAM, two of the three mainstream industry associations that have never tired of espousing free market reforms, came out strongly against the sale of the stakes that the financial institutions had in Modi Rubber Limited. Sometime in October the Industrial Development Bank of India, Unit Trust of India, General Insurance Corporation, and Life Insurance Corporation decided to sell their stakes in Modi Rubber by inviting bids from domestic and international companies. Their holdings totalled 44 per cent, by no means a small stake, yet not life-threatening for the management. Yet, although all should have welcomed this as a belated move by the FIs to get market-savvy and improve their balance sheets, it raised a hornet's nest instead.

Nowhere was the cry louder than from the two agencies that represent the face of modern industry. Both FICCI and ASSOCHAM probably saw the move on Modi Rubber as a harbinger of things to come; after all, the FIs between them have a stake in virtually every major and not so major company in the country. Look at the list of assisted companies in their portfolio and it reads like a Who's Who of Indian industry. Should the FIs realise the potential for turning their NPA-ridden books into healthy statements of accounts by selling their holdings, it is more than likely that the present structure of ownership may indeed be threatened. Such fears would have prompted the two associations to beseech the finance minister to prevent the FIs from such a step on the plea that the promoters should have the first right of refusal.

Wonders never cease; in response to the plea the finance ministry took the high ground of non-interference, and rightly so. After all, the associations have been at the forefront of urging the government to roll back its interventionist policies and the finance minister surely cannot be faulted for following that sentiment. Isn't that what liberalisation is all about anyway? That a shareholder has the right to dispose of his stake as he deems fit at the price he deems most appropriate?

Clearly, the associations protest too much; after all, they have been foremost in asking the government to roll back its influence on the public sector, to divest its majority shareholding in favour of the public, and yet now we have the same bodies crying for government intervention in a matter that requires no intervention. But do they have a point in insisting that the promoter be given the first right of refusal by the FI wanting to divest its stock in the company?

In a general sense, certainly. On the face of it, that appears to be the most gentlemanly thing to do so that the promoter does not feel shortchanged by the FI selling out to strangers without so much as a by-your-leave. But the reality is that, unless there is a specific clause to that effect, there should be no reason for the FIs to offer the first right of refusal to the promoter. In any case, the FIs have equity stakes in the companies more often than not as a result of the incapacity of the promoters to repay debt; as a matter of convenience the debt would have been converted to equity, pleasing everyone concerned.

At the end of the day the action of the FIs has to be seen from the viewpoint of the shareholders in the company. Clearly the shareholder is more keen to see the value of his stock rise than to ensure that the traditional ownership is retained. Today every company is looking for ways to remove inefficiencies and get competitive, and in the bargain create wealth for its shareholders. The name of the game today is wealth-creation. To think that protection in any form, and what else are the two associations asking but that, can be admissible for companies at the turn of the millennium is an antediluvian attitude. Managements of companies must not forget their mandate for shareholders, which is to enhance the value of the equity. So why have FICCI and ASSOCHAM forgotten this venerable principle? •



Indifference, Inc

Trauma visited by humiliation and cruel apathy may sum up the fate of the hapless millions whose lives have been irrevocably devastated by the fierce cyclone that battered Orissa on 29 October

How can one explain the fact that, while international aid agencies, aghast at the slackness with which Indian authorities have responded to the disaster, rushed men and supplies to the stricken areas, President K.R. Narayanan embarked on a state visit to Munich, Salzburg, and Vienna, Prime Minister A.B. Vajpayee flew to Durban to attend the largely ceremonial Commonwealth meet, and even Orissa's seniormost civil servant, chief secretary S.B. Mishra, proceeded on personal leave to the US at a critical juncture in the relief operations, even if it were to attend to his daughter's medical problem? And all this when the Giridhar Gamang administration in the state failed appallingly in providing relief, not stirring for 48 long hours after the storm and relying instead almost entirely on assistance from the overseas agencies and the Central and other state governments?

Even if it was symbolic, the head of state, the head of government, and Mishra would have done well to have expressed their compassion, or at least make a show of it, by calling off their jaunts to involve themselves with the more immediate task on hand. After all, 15 million Oriyans have been rendered homeless in this nature's onslaught, and most have lost their families, livestock, shelter, and just about everything they ever possessed. With water and electricity supplies breached and telephone lines and communications broken down, the full scale of the disaster has yet to be properly ascertained. As corpses of the estimated 8,000 humans and 175,000 head of livestock putrefy under mounds of silt and mud, epidemics of cholera and gastroenteritis stare survivors in the face. If under such circumstances they cannot count on their leadership, there is scant hope for the teeming others who live slightly less miserably in the rest of the country.

What aggravated the relief operations was the venomous virus of politics. With Orissa under Congress rule and facing assembly elections early next year, the BJP-led coalition at the Centre was keen on showing the Gamang regime up in poor light. By his ineptness and callousness, Gamang scarcely made this job difficult for the Vajpayee ministry. But this meant that the Centre was averse to declare the Orissa havoc as a national calamity, which would have entitled the battered state access to Central funding from the National Disaster Relief Fund as well as grants from other sources. The Orissa government has asked for Rs500 crore from the Centre's National Calamity Relief Fund but has been given only Rs200 crore, with the rest supposed to flow in keeping the changing situation in sight.

As this Centre-state tug-of-war continued, the devastated Oriyans found themselves increasingly abandoned. Post-disaster relief too has been tardy, alienating people enough to manhandle state and Union ministers, including defence minister George Fernandes, who swooped down on them in helicopters with glib assurances. Desperation drove those affected to loot shops, godowns, vehicles, and relief parties and to fight over food packets being airdropped. The people were justifiably disenchanted as they saw teams of journalists reach out to almost all the affected areas in no time at all while the state authorities pleaded helplessness on the excuse that the access routes were breached. Communications, transport, and civic amenities completely broke down and there were scant efforts at restoring them.

Many of those working in the urban centres of Orissa rushed to their rural homes to ascertain the whereabouts of those they had left behind. Not long back it had been the cyclone that had struck the shipbreaking docks at Alang in Gujarat where thousands of Oriyans are engaged that had sent them scurrying to their home state to escape its fury. While a definitive toll may not be forthcoming for quite a while as numberless bodies still lie mired in the mud and sands, the cyclone did not appear out of the blue. Orissa lies in the cyclone belt of the Bay of Bengal and while this particular one had been predicted days in advance, the warnings were of a routine cyclone. Branded 'supercyclone', this storm exceeded all expectations, lasting over 20 hours, and was cataclysmic in its intensity; accompanied by winds sweeping in at 300 km/h causing tidal waves to swell by 20 to 25 feet. Gamang conceded that no one had anticipated a cyclone of this magnitude.

What was manifest was that the government did not take enough preventive measures despite these adequate advance warnings. •

One billion Indians

India's development planners have always been overawed by the size of its population. The time has come to shed this approach

Soon after India transits to the 21st century its billionth citizen will be born. Lamps will be lit and bells rung in the auspicious household. And alarms will be sounded in the offices of policymakers and planners. The differing receptions will symbolise the glaring contrasts in approaches to the population issue in the country. Most of the billion-to-be Indians look upon accrual of their numbers as a boon to their productive potential. The government and its economists see nothing in it but a bane.

The bias of governments can be understood to some extent. Indians constitute one out of every six humans on the globe. At its present growth rate the Indian population will be 1.36 billion by 2025, markedly ahead of even China. Seasoned experts say such large numbers will, first and foremost, endanger the national food security. Since 1950 India's production of foodgrains has increased by three times, and that of cereals three-and-a-half. Yet, per capita consumption of foodgrains has increased only by 27 per cent.

Studies by the Planning Commission actually show that per capita protein consumption among the rural population has actually declined to 45 per cent of what it was in 1951. Successive governments have routinely asserted that the continuously increasing population has been the key factor negating the impact of many anti-poverty programmes. In sheer numbers, India today has as many persons below the poverty line as its entire population at the time of Independence.

The continuity of such perceptions and concerns has affected the current government too. Earlier this November the Union cabinet resurrected discussions on the draft National Population Policy. The main thrust of this is to achieve population stability by the year 2025. The framers of the policy claim that theirs is a holistic approach, with increased promotion of contraceptives alongside premium quality programmes of child and natal care.

Like many well-meaning intentions, this approach misses the real issue. Do we look upon the large number of our countrymen as productive resources or an intractable problem that must be arrested at any cost? Successive Indian governments have leant far too much towards the latter point of view. They have retained loyalty to the Malthusian refrain that population growth, in itself, puts a strain on the limited national resources of the state and inevitably cripples its developmental effort. There are several fallacies in this line of thinking.

First of all it excuses governments for their own tardiness. Take poverty eradication programmes, for example. The numerous studies and analyses of schemes such as the Community Development Programme in the 1950s, the far more sophisticated and evolved Integrated Rural Development Programme of the 1980s, and many others in between, are unanimous on one count: the failings and shortcomings of all these programmes have had nothing to do with the size of their targeted populations. They were defeated only by faulty planning, shoddy execution, and deliberate manipulation, usually in favour of comparably better-off Indians.

Government planning and policy are directly to blame, also, for the fact that Indian agricultural productivity has remained far below international standards, and even behind other developing countries. There are intellectual problems with the Malthusian refrain too. Nowhere in the world have increasing populations led to scarcity of resources (and poverty, by implication). Countries like Japan and the Netherlands, with population densities far higher than that of India, are always a reminder that far more intensive consumption of resources can be sustained too. And, as our own experience with Kerala shows, lower fertility rates do not automatically lead to better developmental parameters.

In fact, any population policy which has a blinkered fetish for only a statistical steadiness will fail to be of any use to its recipients. People must be recognised as economic producers. Elsewhere too, especially in many industrialised nations, governments are eschewing stagnant population rates. They recognise the challenges of bigger populations, but also recognise that higher human resources are the ultimate source of economic creativity and dynamism. The Indian government and its population experts would do well to acknowledge this realisation. Otherwise the establishment will continue to be arrogant towards its people, blaming them for national poverty. Clearly, a lopsided perception. •

Awaiting America

Coinciding with the expected visit of Bill Clinton in the first quarter of 2000, the 50:50 joint venture between the US major, Principal Financial group and the premier domestic financial institution, IDBI, is expected to be flagged off. The new IDBI investment management company is going to oversee the asset management company of IDBI Mutual Fund. The first stage of signing the MoU between the two parties took place on 15 September 1999. The shareholder agreement will be signed next, following which other formalities like applying for an FIPB clearance, obtaining RBI's approval and seeking the Sebi nod for a change in the management structure, will take place. With the joint Indo-US business council meeting in the second half of November, expect to hear a series of announcements of deals which will formally get signed during the Clinton visit.

Siro's strategy

Siro Plast from the M&M stable is yet another subsidiary that is stepping on the gas. This Pune-based company, which manufactures fibreglass bodies for trucks and LCVs, is striking an alliance with the US-based auto MNC, Owen Corning.

According to sources, the US company is looking forward to the FIPB clearance, to pick up a 25 per cent stake in the Indian company. For the last fiscal year, Siro Plast despite operating at 25 per cent of the installed capacity, posted an EPS of Rs2.50. The two companies were associated earlier too. Owens has been supplying raw material to Siro Plast. Sources say that over the last quarter raw material intake by Siro has tribled.

Toyota targets Telco

Toyota and Honda had serious problems with their cars when they first began to manufacture them. Telco's deficiencies in the Indica and Safari are no exception. But Telco now has a new problem. Toyota is believed to be ready with its multi-utility vehicle – Qualis – which will compete with the Safari and the Sumo.

It is the Qualis's price which will prove to be critical. The 2400cc four-wheel drive will improve on the design, looks and engine capacity of the Safari, but be priced at par with the Sumo – between Rs5 lakh and Rs5.5 lakh. The Qualis is likely to be launched next January. Toyota Kirloskar Motors is all hush-hush about its vehicle at its Bidadi plant near Bangalore.



Toyota's MUV will certainly worry Telco's Ratan Tata

It is very obvious why everyone is bullish on the MUV segment. In fact, August was the first month after April which saw MUV sales ramp up over the corresponding month last year. A total of 9,105 MUVs were sold in August 1999 against 8,791 in August last year. Telco has the next best marketshare of 26 per cent behind M&M's 61 per cent.

Value addition by Avon

The only other Indian company besides Colour Chem to succeed in the manufacture of diketene, is the Hyderabad-based Avon Organics. Avon recently developed some new derivatives with value addition as high as Rs400-500 per kg.

Diketene is a chemical used in the making of over 400 derivatives that go into the manufacture of pharma and bulk drugs intermediaries mastered by, besides the above-mentioned Indian companies, Eastman of the US and Clariant of Germany. Over half-a-dozen Indian promoters who have tried to manufacture diketene have failed in the first stage itself, i.e., putting up the plant.

Crossroads at Bandra Talkies

Do you remember the celebrated Rs45 crore transaction for the Rs715 crore Lupin Labs when it sold its Landmark building on Andheri-Kurla Road to Star TV (News Television India Ltd)? Well, Lupin chairman Desh Bandhu Gupta is on the verge of firming up yet another mega deal. The question is whether this too will be perceived as a distress sale. During the go-go years, Gupta purchased Bandra Talkies (a well-known cinema hall) in the western suburb of Mumbai at the foot of the high-profile shopping area, Linking Road. The property, purchased for Rs26 crore, was partly developed before it was abandoned due to paucity of cash.

Now, Gupta is ready to sell to... guess who? Ajay Piramal. Flush with his success with Crossroads, Piramal is reportedly the buyer and the city's second shopping mall will be readied at Linking Road. A serious dialogue is on with a clutch of hoteliers to develop the area as an entertainment complex incorporating cineplexes and food courts.

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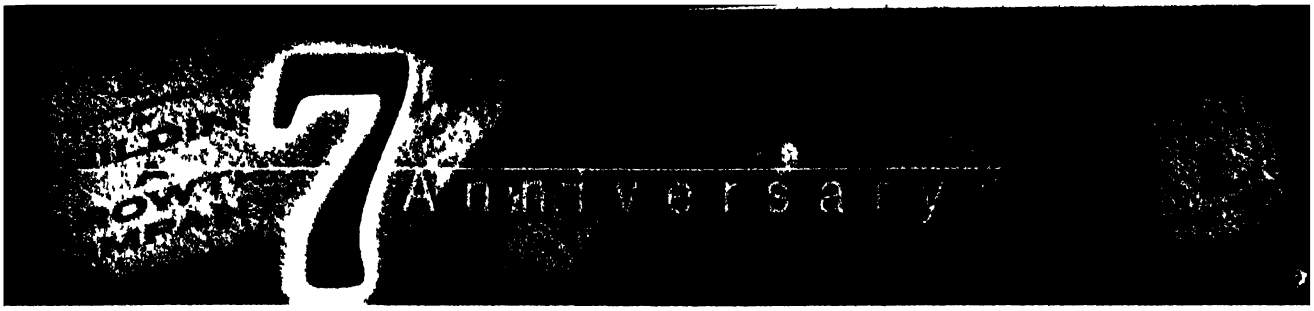
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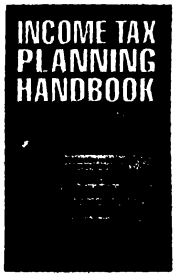
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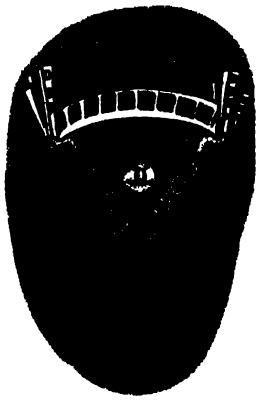
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• Master builder... Eco-friendly profits... Oh, to be poor!

Nitin Gadkari was minister in a hurry; his flyovers running down the spine of Mumbai, 55 in all are still to be finished, but will people remember his name 10 years from now as they drive up and down the flyovers? They would if he had been a man like Robert Moses, the legendary and controversial builder of highways, expressways, and parkways in New York city. Visitors to New York cannot help gawping at the kind of bridges that link the various boroughs of the city, the parks, and expressways that cut



through the city. One man was responsible for building them and that man was Moses.

In 1898 a legislative act created New York city, which was to consist of five boroughs. But only one of them, Bronx, was on the mainland of the United States of America. So the new city was really a city of islands. Moses unified them single-handedly. Since 1917 seven bridges were built tying together the boroughs; Moses built every one of them. He also built 15 expressways; in fact, it is said that if a road has the word expressway on it then Moses built it. Moses also built 11 parkways and reshaped five existing ones. During a period of 40 years he built 627 miles of expressways, parkways, and bridges in New York and its suburbs.

Moses did all of this between the period 1924 to 1968, a period in which he was the most powerful civic official in the city; he held sway under five mayors and six governors, changing the face of the city, demolishing whole apartment blocks for his expressways and building new ones. The strangest thing of all is that he did this and more through the public authorities, agencies set up to raise finances through bonds for some public works or other. In his hands, and at one time he headed more than 12 such non-governmental agencies, the public authority became the vehicle for the exercise of absolute power till 1968, when Governor Nelson Rockefeller clipped his wings.

Corporate profits and environmental protection almost seem like antinomies despite the noises that some companies may make about their concern for the world we inhabit. Eco-friendly marks are just about the level of commitment when it comes to chasing the bottomline. Not so for Patagonia's chief executive and founder Yvon Chouinard. The 60-year-old honcho of the outdoor clothing and gear company based in California is an expert mountain climber committed to the environment,



mixing it with excellence in his company. For instance, *Time* magazine reports in a feature on him, waste is minimised in unique ways; one product, a child's shirt, is made of scraps left over when fabric is cut for larger shirts. A pullover is designed out of fibre from recycled plastic bottles, while a gent's shirt is made from jute that is grown organically.

Three years ago the company decided to use only cotton grown without artificial pesticides or fertilisers in its clothing. Chouinard admitted that, had he not done that, Patagonia would have grown faster; sales did dip at first but picked up because, he says, "a designer who begins with a bale of cotton takes his task seriously."

Chouinard does not stop at this. In 1984 he directed the company to donate 1 per cent of sales (this year $180 million) to activist environmental groups like Earth First! Of late he has started opposing hydroelectric dams because they are harmful for spawning salmon. So much so that in the state of Maine he was responsible for the dismantling of the Edwards dam on the Kenebee river. Now, in Washington State, the government, pressured by Chouinard, is planning to decommission the Little Goose dam.

Conventional wisdom would have it that health and education are positively correlated; after all, it is the poor and illiterate who would appear to be equally unhealthy, right? Well wrong, if the recently released *India: Human Development Report* by New Delhi-based National Council for Applied Economic Research is anything to go by. In what is truly a remarkable compendium of statistics relating to the quality of life in this country, the HDR reports that, in disease after disease, it is the educationally and culturally rich Kerala that tops the list, whereas Rajasthan, part of the infamous BIMARU states, is at the lower end of the pack. Or should one say on the top?

Consider this. Kerala leads the 14 major states in terms of incidence (measured in terms of major morbidity per lakh population) of diabetes and mental disease. It is second in the incidence of hypertension and heart disease. At the other end of the spectrum Rajasthan clocks the lowest incidence of epilepsy, hypertension, diabetes, heart disease, and mental disease. While the report does not offer any reason for this strange reality, at one point it says that, in the case of tuberculosis, "in Kerala this estimate may partly be due to better reporting as well as better accessibility to healthcare service."

Whatever the



reason, it seems that the folks in Kerala, with their levels of high literacy and wealth courtesy West Asia, appear to be more sick and unhealthy, whereas the destitute and more illiterate Rajasthanis, condemned to their desert and camels, are hale and hearty. Apologists of poverty and the virtues inhering in deprivation, like Bollywood film producers, may feel vindicated with their icons of the honest poor (pioneered by Raj Kapoor, Dilip Kumar) and the filthy rich archvillains with their sideburns, the English language (Monica Darrling), and Vat 69.

BUSINESS INDIA INDEX



Chances that a BJP MP is a cabinet minister/minister of state in the present government: **1 in 4**
Chances that an MP from the allied parties is a cabinet minister/minister of state in the present government: **1 in 6**
Proportion of cabinet ministers/ministers of state that are from Bihar, Maharashtra, Tamil Nadu, Madhya Pradesh, and Uttar Pradesh, in per cent: **60**

Number out of every 100 Indians who say there is 'nothing wrong' with coalition governments: **22**
Number out of every 100 Indians who say there is 'everything wrong' with coalition governments: **25**

Share of US in world population and share of American Internet users among the Internet users worldwide, in per cent: **4.7 & 50**



Share of South Asia including India in world population and share of South Asians including Indian Internet users among Internet users worldwide, in per cent: **23.5 & 0.5**

Rank of Kerala, Punjab, Bihar and Andhra Pradesh among 14 major Indian states in terms of incidence of mental diseases measured as major morbidity per lakh population: **1,2,3 & 4**
Rank of Maharashtra, Tamil Nadu and Rajasthan among 14 major Indian states in terms of incidence of diabetes measured as major morbidity per lakh population: **12,13&14**



Proportion of households in Mumbai with access to sewerage and potable water supply: **51 & 96**
Proportion of households in Chennai with access to sewerage connection and potable water supply: **37 & 60**

Percentage of primary schools in Uttar Pradesh that have more than three teachers: **56**
Percentage of primary schools in Maharashtra that have more than three teachers: **31**

Chances that baldness among men in India is genetic in nature: **25 in 100**



Chances that baldness among men in India is stress or immunity-related: **50 in 100**

Percentage change in the death rate among Iraqi children below 5 in the last five years due to US-imposed sanctions: **+134**
Estimated number of Iraqi infants who have died due to US-imposed sanctions: **50,00,000**
Number of times US State Department has applied sanctions for foreign policy purposes since World War I: **115**
Success rate of US unilateral sanctions in terms of US foreign policy objectives since 1970s, in per cent: **13**
Proportion of population worldwide covered by 191 different forms of sanctions imposed by the US on 50 countries as of end-1998, in per cent: **42**

Average number of students enrolled annually at McDonald's Hamburger University in Chicago: **7,000**
Total number of students trained at Hamburger University as "bachelors of hamburgerology" since 1961: **65,000**



Percentage of companies in Southeast Asia that are small, with less than 150 employees: **62**
Percentage of companies in Southeast Asia, outside Japan, that have 10 or less shareholders: **94**



Percentage out of an estimated 500,000 cars in Albania, the poorest country in Europe with per capita income less than India, that are Mercedes Benz: **60**
Chances that a Mercedes car in use in Albania is stolen from Western Europe: **9 in 10**

Number of prime ministers sacked by Russian president Boris Yeltsin in 17 months ended July 1999: **4**
Percentage of Russians who say they have confidence that Boris Yeltsin can run the country: **2**

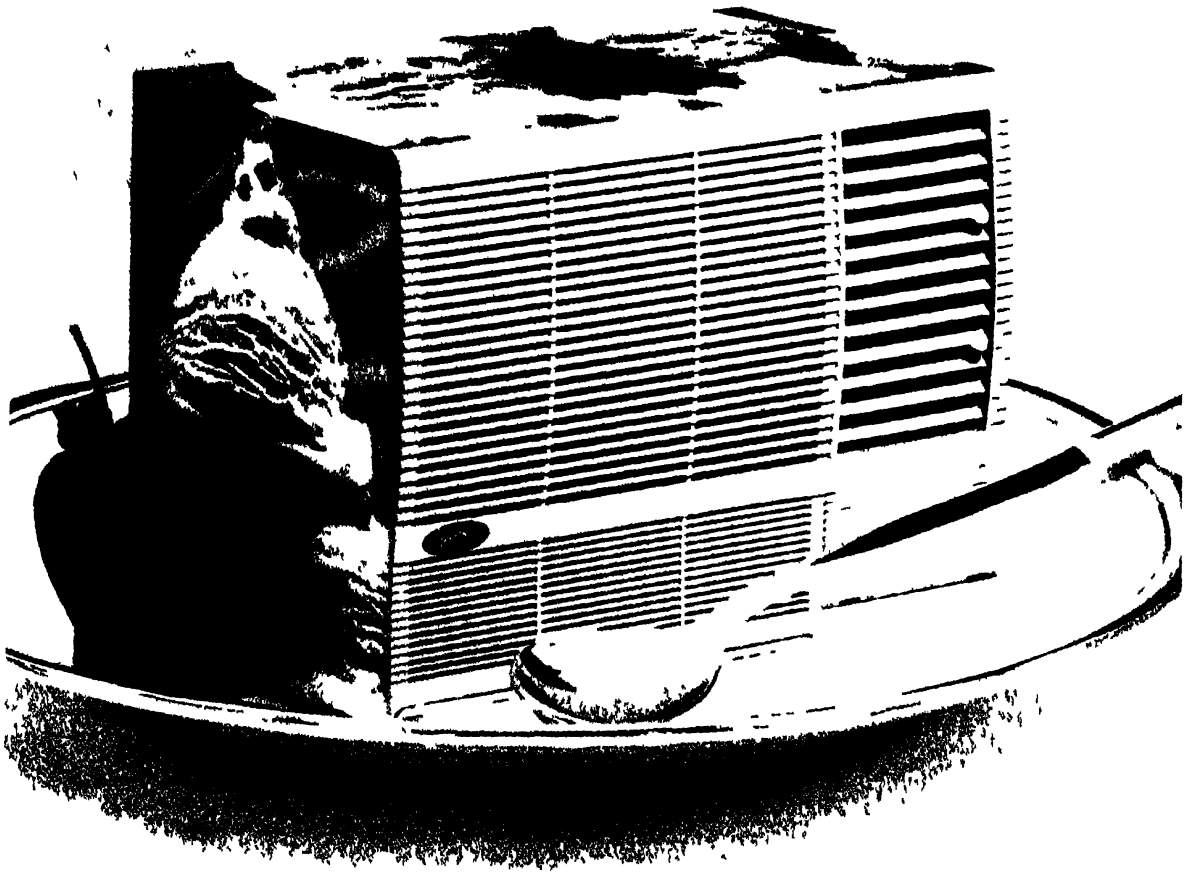
Proportion of British males who confessed to fantasising about a celebrity while making love to their partners: **1/3**
Average number of times Britons make love in a year: **81**



Compiled by ANOOP BABANI

SOURCES: 1,2,&3 Business India research 4&5 Survey by Centre for the Study of Developing Societies, New Delhi and co-sponsored by *The Economist*, London 6&7 Human Development Report 1999, United Nations Development Programme, New York 8&9 India Human Development Report 1999, National Council of Applied Economic Research, New Delhi 10&11 World Development Indicators 1999, World Bank, Washington 12&13 India Development Report 1999-2000, edited by Kirat S. Parikh, Indira Gandhi Institute of Development Research, Mumbai 14&15 Study by Dr Mukesh Batra, a Mumbai-based homoeopath, quoted in *India Today*, New Delhi 16,17,18,19&20 UNICEF, US State Department, Institute of International Economics and conservative research series quoted in *WorldPaper*, Boston 21&22 *The Economist*, London 23&24 World Bank study quoted in *Asiaweek* magazine, Hong Kong 25&26 *BusinessWeek* magazine, New York 27&28 *The Economist*, London and national poll in Brazil, Moscow 29&30 Survey by Durex, London

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INDO ARYAN-99

Personal finance



Business-related sites are the most popular sites today and are likely to mushroom as the Internet revolution continues to sweep across the country. Many of these sites offer news, information from stock and other markets, business and management-related features, and so on. Now the focus is shifting to personal finance sites like www.infoequity.com, an online resource for complete personal financial management. The site enables the users to view the current, market, historical, technical and fundamental data of their portfolio which is automatically updated every 15 minutes during NSE market hours to reflect the movements. The tools also allow keeping track of multiple portfolios for each user. The site also offers charting facilities wherein the users can view graphical illustrations of share price movements for periods of two years, one year, three months, and intraday. Other facilities include share alerts and maintaining and updating a user's bank account details. An interesting effort.

IT portal

Since 1996, Cyber Media (India) Ltd has been running a comprehensive information technology portal at **www.ciol.com**. The site contains sections on news, market features on the new government and the IT industry, the battle between multinational brands and local assemblers, products and product reviews, technology, interviews with industry leaders like N.R. Narayana Murthy, Dewang Mehta, Hemant Bharat Ram, and others, tutorials on HTML and search engines, tips on driving traffic to your Website and getting your PC problems solved, interesting features on jobs/careers such as the first



month in a new job, and how to make a perfect résumé. In addition, there are chat and discussion forums, book reviews, and leisure. Addressed to the IT community, the site is updated with 10 or more new features and 40-50 news reports and analyses every week.

Ferguson in cyberspace

AF Ferguson, a leading Indian firm of chartered accountants and market leader in most areas of the consultancy business, entered cyberspace recently.The Website **www.afferguson.com** tells us about the company's history, its

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functions, and services. Ferguson provides a range of specialist management consultancy services in various functions and sectors, and offers global solutions in India and abroad through its offices and network of strategic alliances in the US, Europe, Middle East, South Africa, Australia, and Southeast Asia/Singapore. The company has structured itself into specialist industry sector groups (ISGS) consisting of multidisciplinary teams drawn from its domestic and international networks to provide innovative solutions to clients. An interesting feature of the site is a job search. Ferguson uses this vast information base to assist clients find personnel for openings in top, senior, and middle-level positions.

Monroe: the legend

Marilyn Monroe was in the news recently when the white gown encrusted with 6,000 rhinestone beads and sequins she wore the night she sang *Happy Birthday, Mr. President* for John F. Kennedy in Madison Square Garden in 1962 was auctioned for $1,267,500 to a New York collectibles store owner. This and many other interesting facets of the superstar legend with magnetic energy so strong that she captured the world at her heels with her woman-child charm, are listed on her official Website **www. marilynmonroe.com.** Norma Jeane Mortensen (Monroe's birth name) wasn't the first platinum blonde to strike it big in Hollywood, but she had a glow and energy that was unmatched by any other personality. The site carries some interesting quotes by and on Monroe, like this one: "Sometimes I think it would be easier to avoid old age, to die young, but then you'd never complete your life, would you? You'd never wholly know yourself —" or W.J. Weatherby saying about her: "How foolish those people were who underrated her as a dumb blond."

WebWatch

Savings from e-commerce

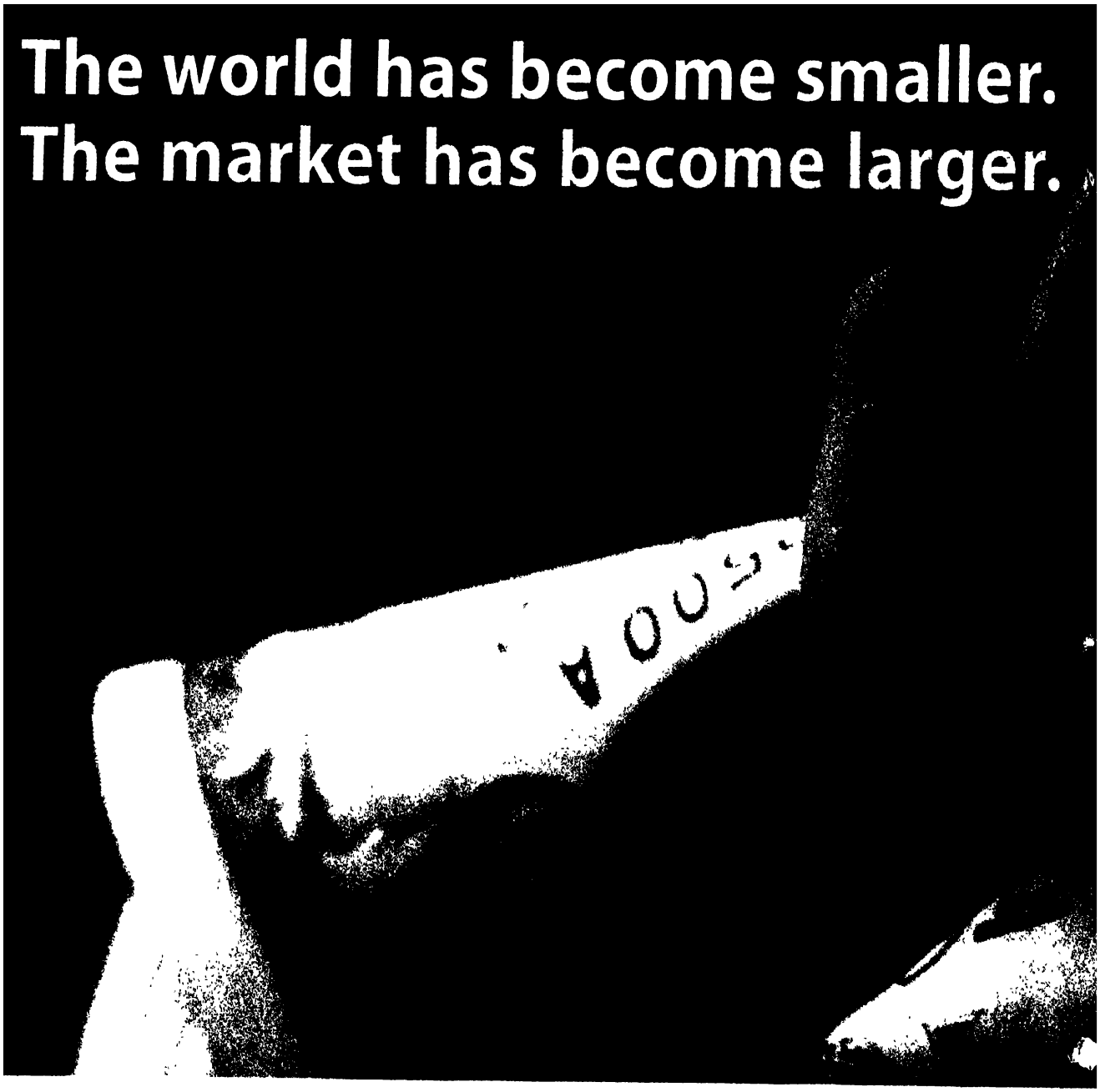
According to a recently-released study by the US-based Giga Information Group, corporations across the world stand to save (and gain) as much as $1.25 trillion – close the gross domestic product of France – by doing business over the Net. What's interesting is that both corporations and customers stand to gain. The corporates will have a two-way benefit: by downsizing staff or reducing the number of people it takes to process sales request, and by making it easier and cheaper to order office supplies online. The customers, on the other hand, stand to gain due to the fact that items brought on the Internet generally turn out to be cheaper as Web shopping involves lower overheads and no salesman calls.

Shrinesites

Two Indian institutions – Pushkar Fair and Vaishno Devi – are now available on the Web. Besides historical information and mythological background of this mammoth fair, the site provides information about hotels, restaurants, hospitals, travel agents, banks, etc. In another instance, the Vaishno Devi shrine is planning a presence in cyberspace. The idea is to satisfy the curiosity of millions who cannot visit the shrine. Recently, Bharat Vyas, CEO of the shrine Board was quoted saying that "in this age of superhighways, we cannot sit back and wait for things to happen."

◆ *Compiled by* ANOOP BABANI

The world has become smaller. The market has become larger.

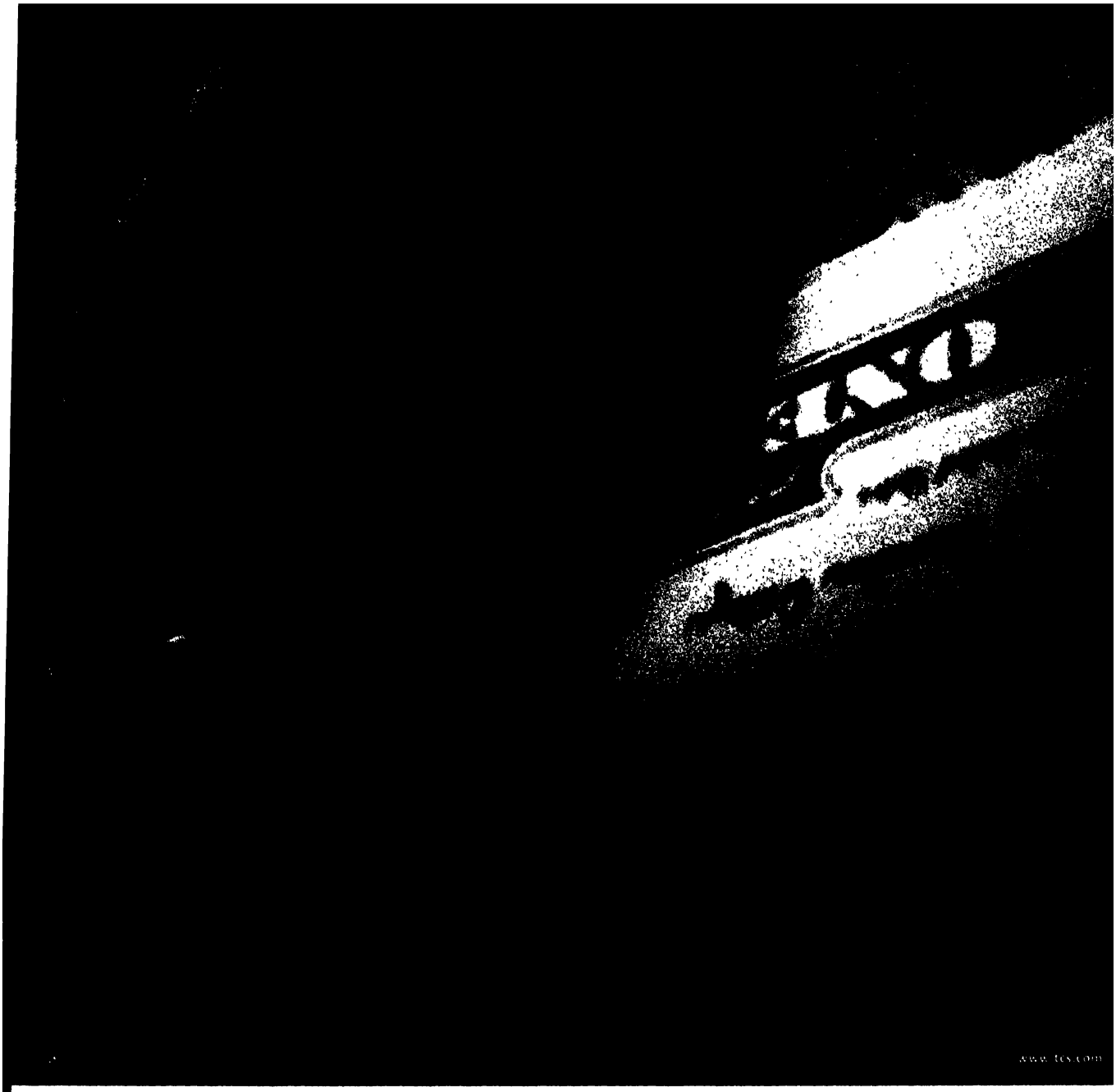


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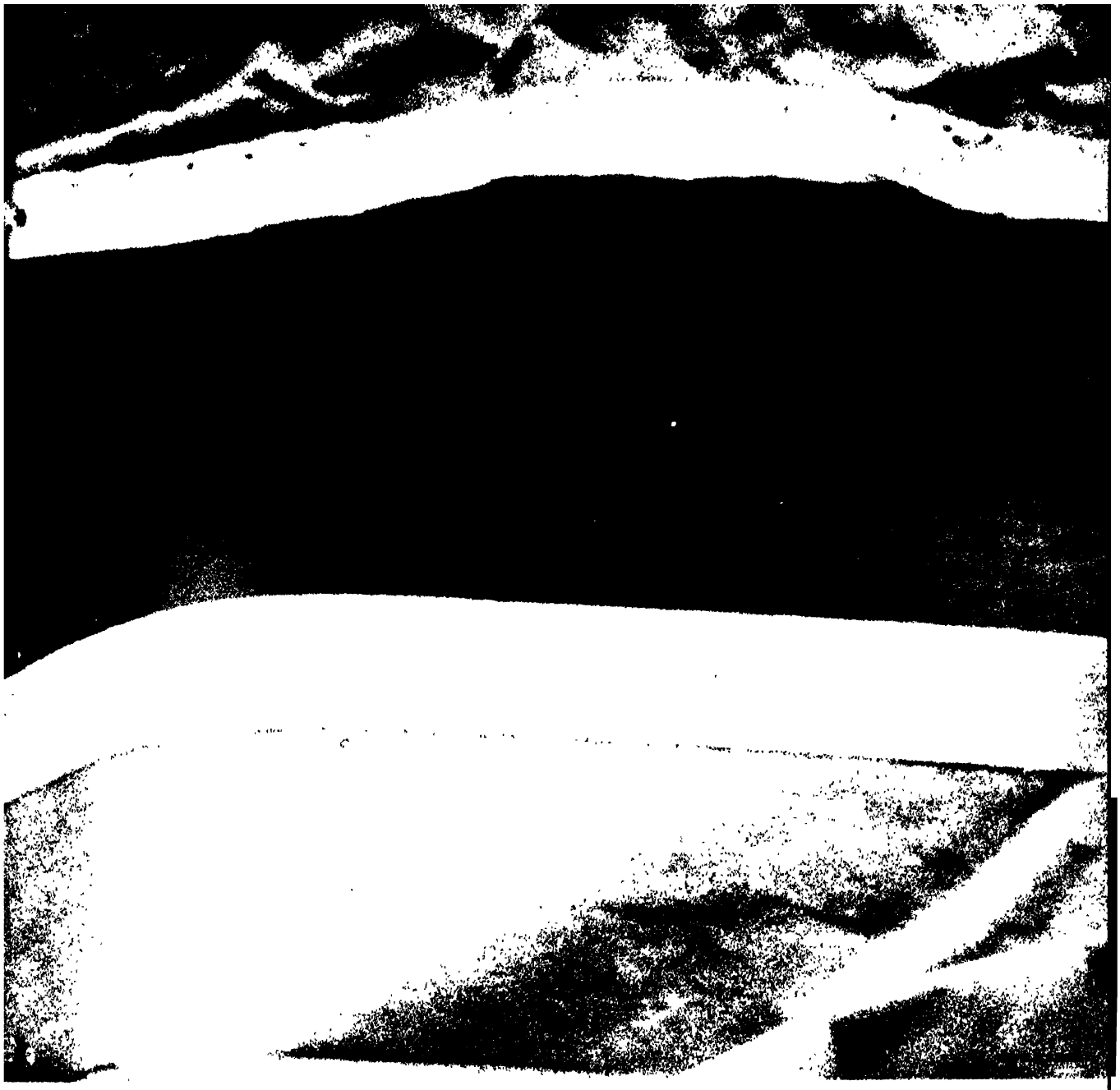


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asian paints

End of a saga

A month ago we reported that Kotak Mahindra was negotiating to sell 4.5 per cent of Asian Paints equity to the promoters. Now the Rs74.5-crore deal has been concluded

Last week the Danis, Vakils, and Choksis, the three promoter families of Asian Paints, bought 1.833 million shares in the company representing a 4.5 per cent stake from Kotak Mahindra Capital Company (KMCC), the custodian for these shares on behalf of UK paints major ICI plc. The deal, estimated at Rs74.5 crore, was struck for a price of Rs406 per share (6 per cent over the previous day's close of Rs384).

Recall that, in August 1997, ICI had picked up 3.66 million Asian Paints shares, representing a 9.1 per cent stake in the company's equity base of Rs40.12 crore, from Atul Choksey, one of the original promoters and former managing director of the company. The price was around Rs350 a share.

However, the deal turned sour when the Asian Paints board refused to transfer these shares, which remained in the names of Atul Choksey and associates in the company books and lay in the custody of Kotak Mahindra, to be transferred to ICI once the Foreign Investment Promotion Board approved the deal. In May 1998, after the FIPB refused approval as the Asian Paints promoters had opposed the acquisition attempt, Kotak Mahindra sold 1.88 million shares (half of what it held on behalf of ICI) to UTI.



Vakil, Choksi, and Dani consolidate their position

Now the entire episode has come to an end. On 5 November the Asian Paints board approved the transfer of the balance of 1.83 million shares from Choksey and associates to Dani, Vakil, and Choksi. The acquisition of these shares will increase the combined stake of the promoters from 40.5 per cent to 45 per cent.

▸A CORRESPONDENT

Sign of hope

Our corporate report in the 9 August issue spoke of how the Steel Authority of India needed urgent restructuring. At last a beginning has been made.

After several months of dithering by North Block mandarins on the financial and business restructuring package for SAIL, in-principle approval has finally come. Chairman Arvind Pande had then pointed out: "We are all still searching for a package that is acceptable to different parts of the government." Now it turns out that the Ministry of Steel has broadly accepted the business and financial restructuring package and has forwarded it to various ministries for their comments before the proposal is tabled before the cabinet. Indications are that it is being treated as urgent by the ministries concerned.



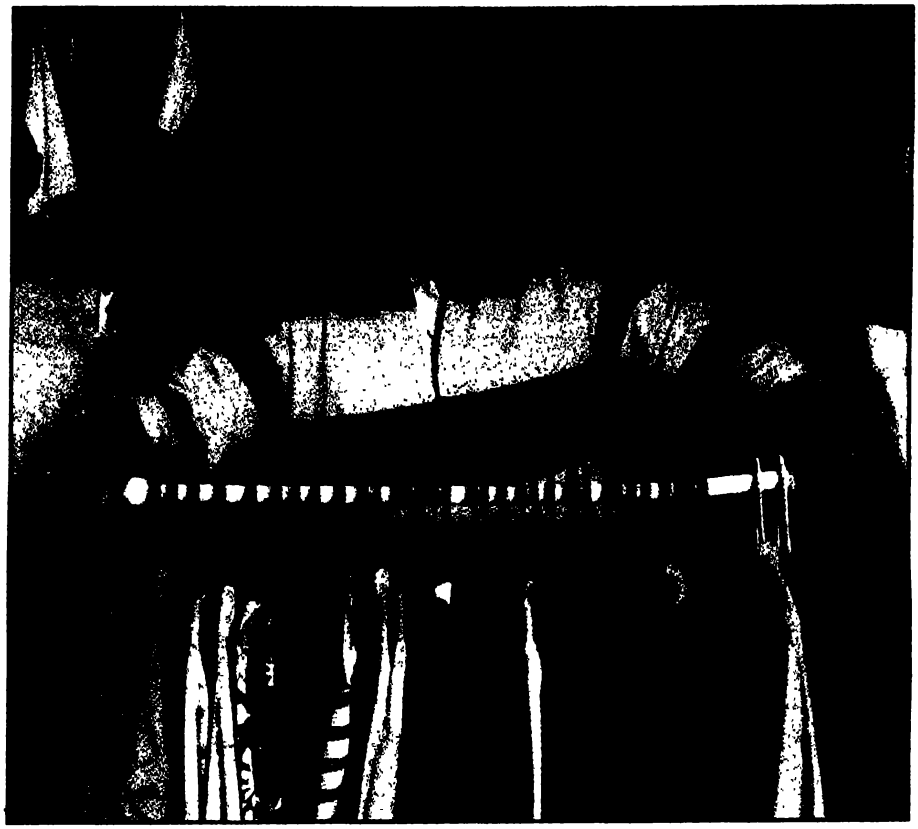
Pande can now preside over the restructuring

SAIL had appointed McKinsey & Co to draw up a blueprint for the business restructuring programme. Prior to this, the Industrial Development Bank of India had brought out a report on financial restructuring of the steel giant. Both reports recommended cost-cutting measures such as a reduction in workforce, improvement in operational efficiency and inventory management, and revitalising the marketing arm. Other recommendations were closure of unviable units, divestiture of subsidiaries, and spinning-off of some of the projects into joint ventures. It was also suggested that a large part of the loans and interest accrued would have to be waived so as to make SAIL's balance sheet appear stronger in order to raise finance at a future date.

Marketmen have been quick to react to the latest news trickling in. The share, which was quoted below par till a fortnight ago, has inched up to Rs12, and volumes have leapfrogged. There are umpteen cases in India where such proposals have got stuck in a bureaucratic maze. One only hopes this one does not; else SAIL some years down the line will run out of wind.

• ROY PINTO

Spinning dreams



PALASHRANJAN BHAUMICK

Pravin Kumar Tayal has drawn up plans of all shades and sizes

Last time we spoke to the Tayals of the Rs1,500-crore Shree Krishna Group (SKG), they had set themselves a 25 per cent growth target that would take them into the Rs2,000-crore league by March 2000. If the recently announced performance is any indication, the group seems to be well on track to achieve that target. For the three months ended September 1999, the three listed companies of the group – Shree Krishna Polyester (SKPL), Shree Krishna Petro Yarns (SKPYL) and Krishna Texport Industries (KTIL) – posted a turnover of Rs162.75 crore, Rs161 crore and Rs96 crore, respectively. On this the bottomline has been Rs25.65 crore, Rs16.26 crore and Rs11.83 crore. The earnings per share (EPS) of the companies range between Rs15 and Rs18, while their book value exceeds Rs100. But the shares of the three companies exchange hands at Rs30, Rs20 and Rs230, respectively. Of late, however, they have attracted investors' attention.

There's more. Over the last six months, SKG has created a brand in knitted fabrics called Icon. "We have so far launched this brand in the western belt, concentrating on Maharashtra and Gujarat. These fashionable knitted fabrics are in the form of ladies dresses, children's wear and gents sportswear. We are targeting the upper segment of society," says Pravin Kumar Tayal, the chairman of the group whose Silvassa unit manufactures fabrics from raw cotton and fibres and also makes fashionable fabrics. "The value addition here is as high as 600 per cent," points out Tayal.

In order to increase value-addition, the group has also gone in for backward integration into the cultivation of cotton crop for captive consumption. "The gardens will come up in Madhya Pradesh and Rajasthan. We will use modern methods and automated systems. Therefore, not only will the yield be higher, but we can also have better control over quality and improved margins," claims Tayal.

The group, which now consumes 20 MW power in Silvassa, also has plans to put up a 100 MW plant at an outlay of Rs400 crore. Explains Tayal, "This unit based on dual fuel – furnace oil and gas – will take care of our captive consumption and the excess will be sold to the nearby industries." The group is considering a foreign collaboration for this venture, although Tayal refuses to reveal anything about the potential partners. Similarly, he is tightlipped about the overseas garment buyers he has been talking to for a 25 per cent equity participation in the textile business. The Tayals plan to increase the capacity at their textile units from 75,000 tpa to 200,000 tpa.

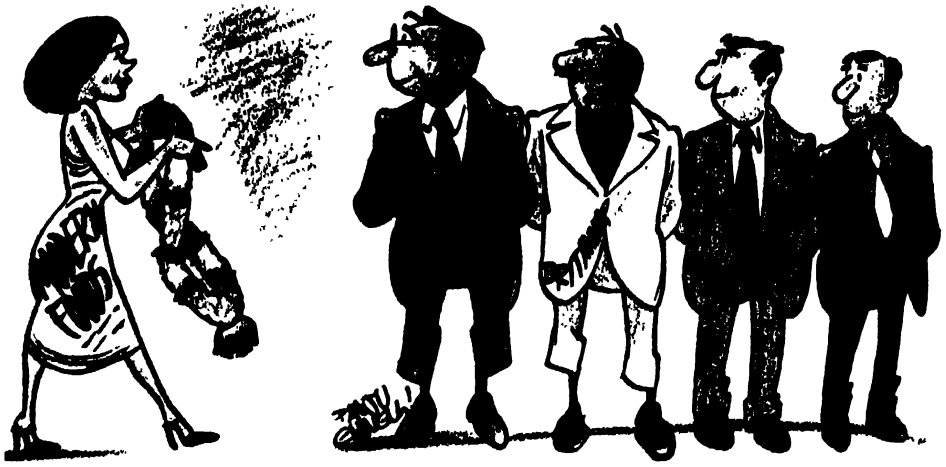
In our earlier story (22 March 1999), we had mentioned that as part of the consolidation of the group, it had decided to reduce the number of companies and merge the three listed companies. However, that plan has now been put on the back burner. "The companies obtained the shareholders' approval, but the term lending financial institutions – IFCI and IDBI – thought otherwise. They felt that the balance sheet of each company allowed it to grow on its own strength at least for the next three years. Hence the merger has been deferred," says Tayal. In the next three years, the group hopes to increase production three times and aims to touch a turnover of close to Rs5,000 crore.

• LANCELOT JOSEPH

In March 1999, we had reported how the Shree Krishna group, after consolidating its position in the textiles business, had entered the banking sector by acquiring the Bank of Rajasthan. The group is now planning an entry into power, besides looking at strategic foreign collaborations

Banking reforms

The Centre seems to be taking banking reforms very seriously. In the first phase of reforms for the sector, the government is considering the privatisation of public sector banks by amending the Banking Companies' Act in addition to drawing up a separate voluntary retirement scheme for the banking sector. The government is also considering amendment of the Debt Recovery Tribunal Act to give the tribunals more teeth. According to banking secretary Devi Dayal, the Sick Industrial Companies' Act will also be amended to facilitate faster recovery of debt from sick companies. All these proposals are currently at various stages of preparation, Dayal added. The privatisation of banks will also involve amendment of the SBI Act as well as the Banking Companies' Transfer and Acquisition of Undertaking Act so as to enable the government to reduce its stake in public sector banks to below 51 per cent.



CNBC Asia, TV 18 tie up

CNBC Asia and programme provider TV 18 have signed a joint venture agreement to put on air a new CNBC India satellite channel. The new channel, slated to go on air in late November, will increase local business programming from the current 90 minutes a day to as much as eight hours a day. While CNBC Asia will own 51 per cent in the Mauritius-registered CNBC India Ltd, TV 18 will hold the remaining 49 per cent. As per the joint venture agreement between the two partners, TV 18 will provide the Indian programming services for the new channel and represent CNBC India for ad sales and distribution. The increased local programming is expected to expand the channel's penetration from the current 5.7 million homes to 12-15 million homes in a few years.

Maruti to hike car prices again

Maruti Udyog Ltd (MUL) has said it will soon hike the prices of its cars as it is unable to absorb the additional cost of about Rs30,000 per vehicle for compliance with the Euro I and Euro II emission norms made mandatory by the Supreme Court. MUL is said to have asked its dealers to plan for such a development. MUL had recently effected a Rs10,000 hike in September and the proposed hike, according to the company, is due to a lack of "profit margin" for absorption of extra costs in the competitive car market. The price hike is likely to be effected from either December or early next year. Following the proposed price hike, the Maruti 800 tag could go up to Rs2.16 lakh.

Four suitors for Modern Foods

A committee set up by the Central government to find a strategic partner for Modern Foods has shortlisted four bidders — Hindustan Lever, Britannia, Evergreen and Nestle. The final strategic partner for Modern Foods will be chosen from among these four by 15 December. Ten companies had put in their bids to pick up the 74 per cent government stake in Modern Foods. The bids closed on 15 October. While the assets of Modern Foods have an estimated value of Rs109 crore, the final price of the government stake is yet to be revealed. The committee is assessing the bids for both technical as well as financial viability. Modern Foods manufactures bread and cakes under the Modern brand and has an installed capacity to produce 268 million standard loaves of bread every year.

Zenith Infotech plans IPO

Zenith Infotech has filed for an initial public offer (IPO) aggregating Rs39.12 crore. The company is offering 34,75,000 equity shares of Rs10 each at a premium of Rs100 per share to the public and Rs115 per share to financial institutions and mutual funds. Post-issue, the promoters' stake, along with the holding of other family members, will be over 68 per cent. The issue is being lead managed by SBI Capital Markets. The funds raised vis the IPO will be used mainly to finance the setting up of a software development centre, to establish offices or subsidiaries overseas and to meet the company's working capital requirements.

Cadbury's Q3 net rises 30 per cent

Cadbury India Ltd has reported a net profit of Rs13.62 crore for the third quarter ended 10 October 1999. This compares well with the Rs10.34 crore net posted in the corresponding period last year. Net sales were up at Rs166.77 crore against the last corresponding period's Rs147.46 crore, while other income was higher at Rs3.06 crore compared to Rs57 lakh in the previous corresponding period. The company has reduced interest burden significantly from Rs2.25 crore earlier to Rs85 lakh now. Cumulative net profits for the period from 3 January 1999 to 10 October 1999 stood at Rs28.86 crore compared with Rs20.35 crore in the previous corresponding period.

A feather in SBI's cap

SBI Capital Markets, the merchant banking arm of the State Bank of India, has bagged the sole financial advisors mandate for a 250 MW power project to be set up in Kutch by Gujarat Mineral Development Corporation (GMDC). SBI Caps will be responsible for the financial structuring of the project and will arrange debt as well as deferred payment guarantee. GMDC is setting up the power project at a cost of about Rs1,340 crore. The equity component of Rs270 crore will be entirely generated from the internal resources

and no outside party will hold a stake in the project. The balance Rs1,070 crore will be raised as term loans from financial institutions and banks. For SBI Caps, it is yet another mandate in the power sector. An earlier achievement is the responsibility of privatising distribution of power in Kanpur.

HDFC rakes it in

The Housing Development Finance Corporation (HDFC) entered the private placement market to raise Rs75 crore for five years at 12.2 per cent. The private placement was part of the housing finance institution's programme to mop up Rs500 crore via bonds during the fiscal. On raising Rs75 crore, HDFC would succeed in mopping up Rs450 crore this year through bond issues. In early September, HDFC had raised Rs50 crore for a term of five years at 12.15 per cent annual interest from the private placement market. This was the lowest rate at which an issue has raised five-year money in the current financial year.

Grim times ahead

Extensive decline in acreage under cultivation is likely to result in massive shortage in the availability of commodities such as cotton, groundnut and coarse cereals, according to the Associated Chambers of Commerce and Industry. The Chamber said the 1999-2000 kharif oilseed output will be lower by 26 per cent, pulses by 9 per cent and cotton by about 2 per cent as acreage under these crops in Saurashtra and Marathwada regions in Maharashtra and parts of Madhya Pradesh were adversely affected by lack of rains. While rainfall has been normal, 19 per cent of the total cropped area received deficient rainfall, an Assocham study on food situation and prospects for 1999-2000 stated. The Chamber said Saurashtra and Kutch areas had received less than half the normal precipitation and lack of rains in September had increased the areas with below normal rainfall.

Max India's insurance foray

Max India has signed an agreement with New York Life International for entering the life insurance buisness in India. The agreement would eventually be extended to a joint venture in the mutual funds industry. The joint venture insurance company, to be called Max New York Life, will have a capital base of over Rs100 crore. As proposed by the standing committee on insurance, the Indian company, Max India, will hold 74 per cent while the foreign partner New York International will hold 26 per cent in the JV. Over the next 4-5 years, the two partners are likely to double their investment of Rs100 crore. The exact range of insurance products that the JV will offer will be worked out in the coming months.

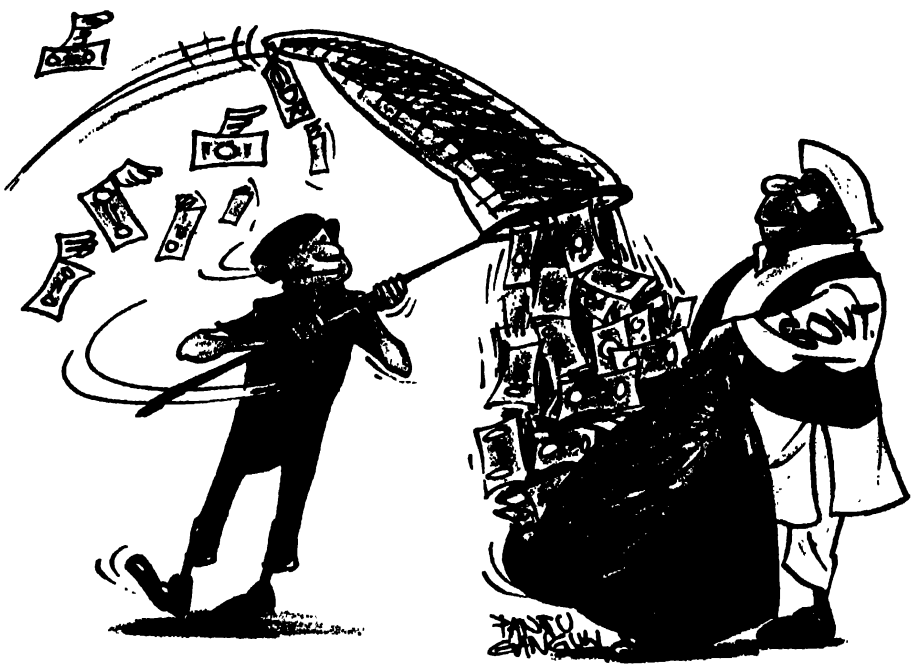
On another front, Max India has changed tracks. It is doing a rethink on making a huge investment in setting up super-speciality hospitals. As part of its decision to keep away from brick and mortar businesses and focus on service and knowledge ones, Max India will now concentrate on providing hospital services while investment in fixed assets and the setting up of the hospitals are proposed to be shared with a third party — such as a real estate developer. Earlier this year, Max India had said it would invest Rs200 crore in setting up two super-speciality hospitals, one for paediatrics and the other for orthopaedic neurosciences in New Delhi.

Internet backbone

The first phase of the national Internet backbone with a bandwidth of 8 MBPS is slated to be completed by February 2000, across 45 cities. A first set of five key cities will have access to this backbone by November-end and the spread will go up to 45 cities by February. A national Internet backbone is being considered imperative to harness the



tremendous demand for the Net. The 45 locations spread across the country are classified into four geographical sectors. The project team at Crompton Greaves, which has the mandate for implementation, has further divided the project into two sections. The first part of the project, will cover the five 'A' type cities — Delhi, Jaipur, Calcutta, Bangalore and Madurai. Implementation in other 40 cities will be taken up in the second section. The Rs40 crore project awarded to Crompton in July is nearing completion. Crompton has identified this as a turnkey project.



Information Technology Bill

The Union cabinet has approved the proposal to introduce the Information Technology Bill in the winter session of Parliament to facilitate electronic trade and commerce. The Bill aims at preventing computer crime both in the public sector and the private sector. For this, some existing statutes like the Indian Penal Code and The Indian Evidence Act, among others, will have to be amended. If the Bill is passed, digital signatures would become legally valid and acceptable. Certifying authorities will issue digital certificates to individuals or corporates which help in creating electronic profiles. The Bill will also lay down the definition of computer crime and fix appropriate penalties.

GAIL's successful sale

The global depository receipts (GDR) issue of the Gas Authority of India Ltd has been oversubscribed 2.3 times. The GDRs were priced at $9.67 each on the London Stock Exchange. The issue will generate around Rs945 crore for the government through dilution of 16 per cent equity. The sale price for 22.5 million GDRs was determined by an open book building process. The government stake in GAIL will now come down from 83.3 to 67.3 per cent. The government had put a total of 180 million shares on the block after offloading 30 million in the domestic market in February. The government has set an ambitious target of Rs10,000 crore for the current year with the focus on retail offerings in VSNL, IOL and Hindustan Zinc.

IRDA's move

The Insurance Regulatory and Development Authority (IRDA) has prepared a draft accounting policy for general and life insurance companies. This policy is part of its plans to prepare reformed accounting practices for domestic insurers to ensure greater transparency and accountability to shareholders. The IRDA plans to finalise the draft accounting policy by December 1999. Its draft regulation says the focus of accounts reporting should be the shareholder and not the regulator. The Malhotra Committee that recommended the opening up of the sector to private participation suggests that the formats of regulation for existing bodies like the General Insurance Corporation need to be made a part of the new rules. The disclosure norms being considered include segmental reporting — a breakdown of net turnover by industry segments or categories of business activities within these segments or geographical markets. Other norms include a corporate governance report by the insurers, which can be quarterly or half-yearly reporting of account statements, a summary of the financials of the past 10 years and information for investors like the earning per share, trend of market prices, trading volumes, etc.

MTNL GDR put off

The Mahanagar Telephone Nigam Ltd's proposed second issue of global depository receipts (GDRs) has been put off till January-February. The government has taken this step because of poor market sentiment in the GDR market. The issue was slated to be wrapped up at the end of this month. The earlier issue in 1997 is currently quoting at $8.30-8.60 against an issue price of $11.95 per GDR. A total of 19 million shares were slated to be divested. This would reduce the government's stake in the entity from 56.25 per cent to little over 51 per cent. Goldman Sachs, HSBC Investment Banking and Merrill Lynch have been appointed as the joint global co-ordinators to the issue. At present, GDR holders account for 11.11 per cent of the company's equity. The other major shareholders of the company include FIIs, NRIs, UTI, insurance companies and mutual funds.

RBI to focus on debt recovery

The Reserve Bank of India is considering the setting up of an Asset Reconstruction Fund and strengthening the debt recovery tribunal to reduce non-perfoming assets in the banking industry. Due to rising NPAs, bank boards have been primarily preoccupied with the management of bad loans and have little time to plan their future business development strategy. At a recent function, RBI general manager C.R. Muralidharan further stated that to avoid further accumulation of NPAs, banks should have a loan review policy in place which would be reviewed annually by the bank board. ◆



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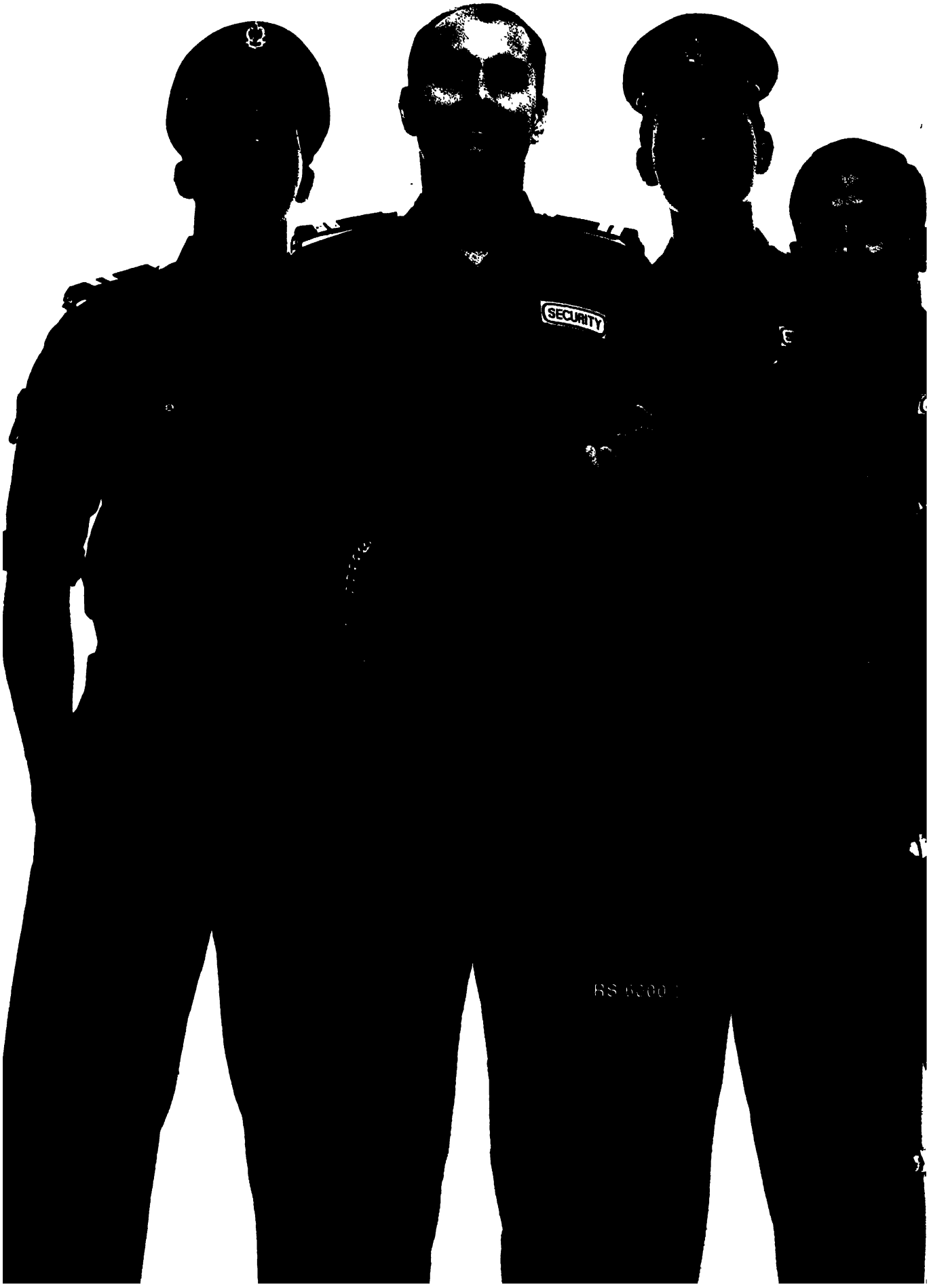
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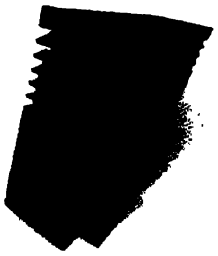
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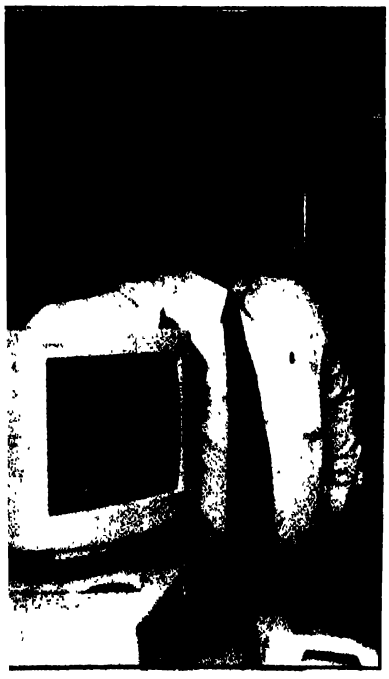
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Last month, Repro India Ltd and the US-based Logistix entered into a different kind of strategic alliance – a service-oriented one. Repro India is the country's largest total fulfilment service provider, while Logistix is a world leader in supply chain management. "The advantage is in terms of the market. With this alliance both companies have access to each other's markets for both Indian as well as MNC customers," says Murrali Rangarajan, president and CEO, Logistix. Repro has pioneered the concept of fulfilment services in India in response to the needs of industry, particularly the IT industry. These services include all the processes and systems required to reach a customer's product

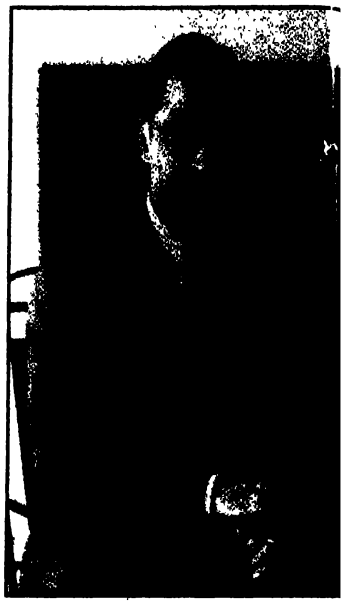


to the end user, leaving companies to concentrate on their core competencies. In other words, while Repro provides the front-end of the services, Logistix provides the back-end services. ♦

Last month, Action Financial Services (India) Ltd (AFSL) — a corporatised brokerage firm on the NSE, BSE and BGSE and a depository participant (DP) — introduced "tele-depository services" for the first time in the country. AFSL currently provides depository services from 19 locations and holds assets over Rs550 crore on behalf of its clients. Dematerialisation or demat holding of stocks through the depository system has become popular both with institutional as well as individual investors. However, there are difficulties involved such as restricted working hours, non-availability of officials at the DP's office, irregularities in receiving statements, busy telephone lines, etc. Consequently, the investor loses precious time in keeping tab over his investments in demat stocks. But under the tele-depository service, investors and brokers would get all information related to their accounts by voice and fax, for 24 hours and 365 days on the phone. Says Milan Parekh, CMD of AFSL, "Demat holding of stocks found acceptance from investors because of the low holding cost and the benefits attached to demat holding. However, this will succeed only if the investor gets to monitor his accounts at his convenience. The tele-depository service is a step in that direction." ♦

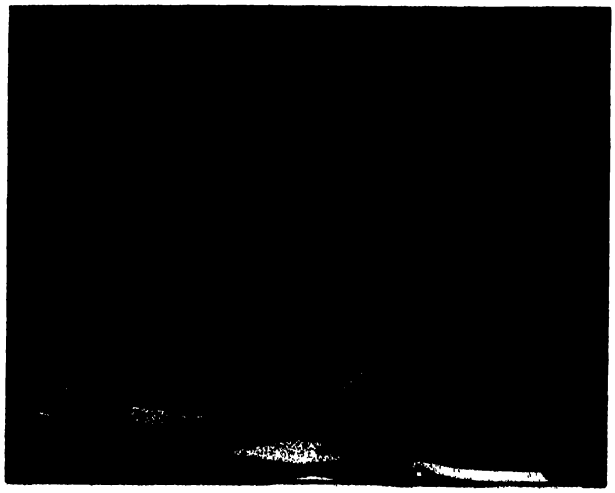


With connectivity and information becoming the order of the day, portals are fighting for virtual space. Mukesh Ahuja's Asia-Links portal is one closer home. It is essentially an Asian portal providing information regarding all the Asian countries. "The idea is to basically link the world to Asia," says Mukesh Ahuja, CEO of Asia-Links Media. Asia-Links has a full search-engine for each Asian country as well as the US. And the link is meant in the true sense of the word. Some of the services include a job site, a market place for US-Asia business, which is becoming a major attraction. Other services include e-commerce, finance and technology. Interestingly, Asia-Links is funded by the ex-chairman of Sanyo Corp, Taira, who also put in the seed money for

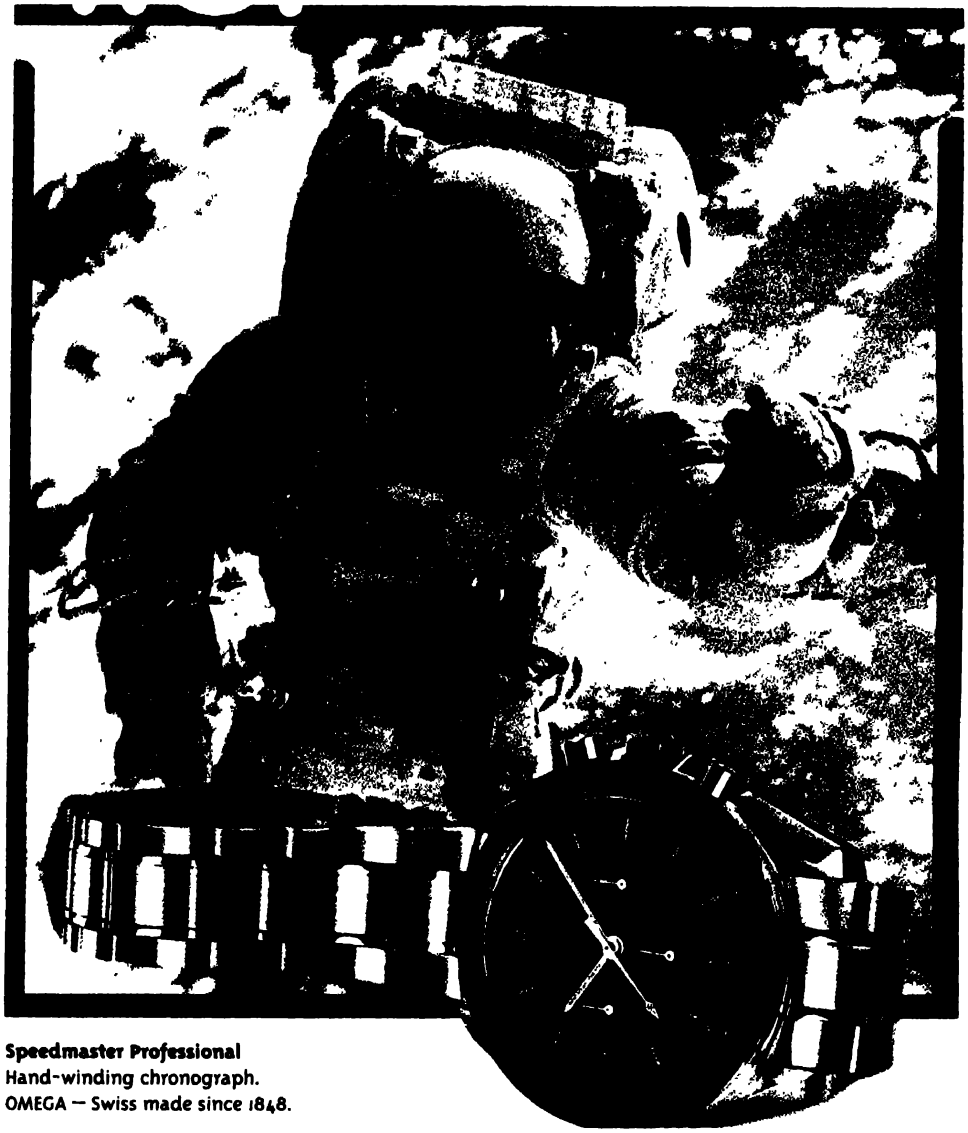


junglee.com. Close to $1.5 million has been spent on developing the portal. Ahuja's Asia-Links is today valued at $20–30 million. He expects it to touch the billion dollar mark by the end of 2000. ♦

This was John McNeil's second visit to India. However, he was here in a different capacity altogether. Last year, he was here as the chairman and CEO of Sun Life to put together an alliance with the Aditya Birla group company, Birla Global Finance, for Birla Sun Life Insurance. This time, he came as the chairman of the Canada-India Business Council to explore potential business possibilities between the two countries. "India is destined to be one of the world's best places to do business in the 21st century. We want to increase the number of JVs, technology transfer and other business relationships," he said. The purpose of the Canada-India Business Council is to promote Canadian expertise in the infrastructure sector and identify opportunities in other sectors such as automotive, healthcare and financial and insurance services. ♦



The Moon Watch...

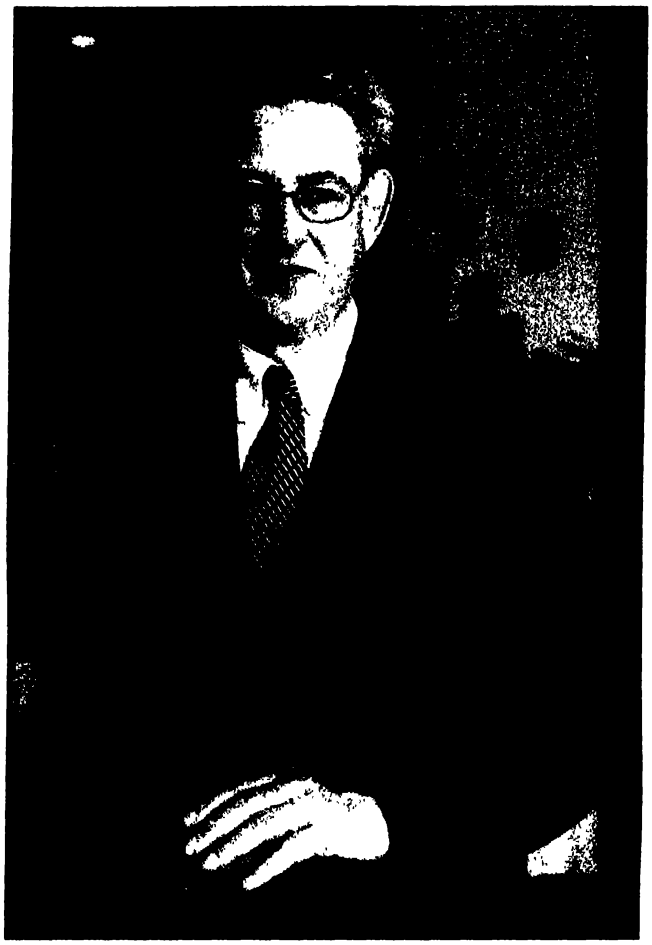


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Messe Düsseldorf GmbH, with consolidated sales of $400 million last year, has proposed to step up its presence in India with ambitious plans to develop Mumbai as a regional exhibition capital. President and CEO **Hartmut Krebs** says his enterprise, with an international network of 60 foreign representatives covering 84 countries, is currently ascertaining the scale of infrastructure that can be built up by its Indian partners for establishing a state-of-the-art venue in Mumbai. "The city presents a booming market, but any world class exhibition venue that we collaborate on here must ensure access, high-end communications, experienced partners, competitive services to exhibitors, and strategic online and direct mailing marketing," he states. In this regard, he cites the new conference and exhibition centre earmarked close to the city airport and says he will be returning to Mumbai to negotiate his proposal with the Maharashtra government.

With 30 years of foreign exhibition experience comprising over 3,000 trade fairs across the world, Messe Düsseldorf will set up a subsidiary in India to organise exhibitions, which is currently handled by its subsidiary, Messe Dusseldorf International. Since 1994 the company has been using its Mumbai offices to stage proprietary trade fairs and has sustained its cooperation with the Indian Trade Promotion Organisation, the Confederation of Indian Industry, and Exicom (now Jasubhai Media), Krebs notes. "We are confident that Messe Düsseldorf, with its range of events and international exhibitions, can be a strong partner to Indian industry," he assures. ◆

Last fortnight Nickelodeon, the world's number one children's channel, was launched in India after five years of waiting for a suitable opening. "India is a complicated market and we thought it best to work with a partner," says Bruce Tuchman, GM (global network ventures) of Nickelodeon International. The channel has been launched in India on the Zee TV platform. This means it will be distributed by Zee Network and also through the Zee-affiliated Siticable, giving it access to four million homes to begin with. Nickelodeon has built a unique channel dedicated to kids which is popular globally. In India, in addition to its English serials, there will also be localised programming. "We think kids in India will respond very well to our unique programming and approach," says Tuchman. ◆





Sandvik AB of Sweden has three divisions, namely toolings, mining & construction, and special steels. Cutting Tools Technology (CTT), one subdivision of toolings, is the largest manufacturer of high-speed steel tools worldwide with a turnover of $500 million (Rs2,000 crore) and a presence in over a hundred countries. Its president **Hakan Larsson** was recently in Pune to visit Titex India Ltd, a company it set up in Pune almost a year ago to manufacture high-performance rotating tools. "We have 13 manufacturing plants all over the world including the one in Pune. Although we are the largest in high-speed steel tools in the world, we are moving in a big way into the solid carbide tools segment," says Larsson, adding that the Indian market for high-performance tools may be small but it is growing fast and CTT, which has invested about Rs20 crore in its Pune plant last year, is already considering further investment. ◆

...The Mars Watch



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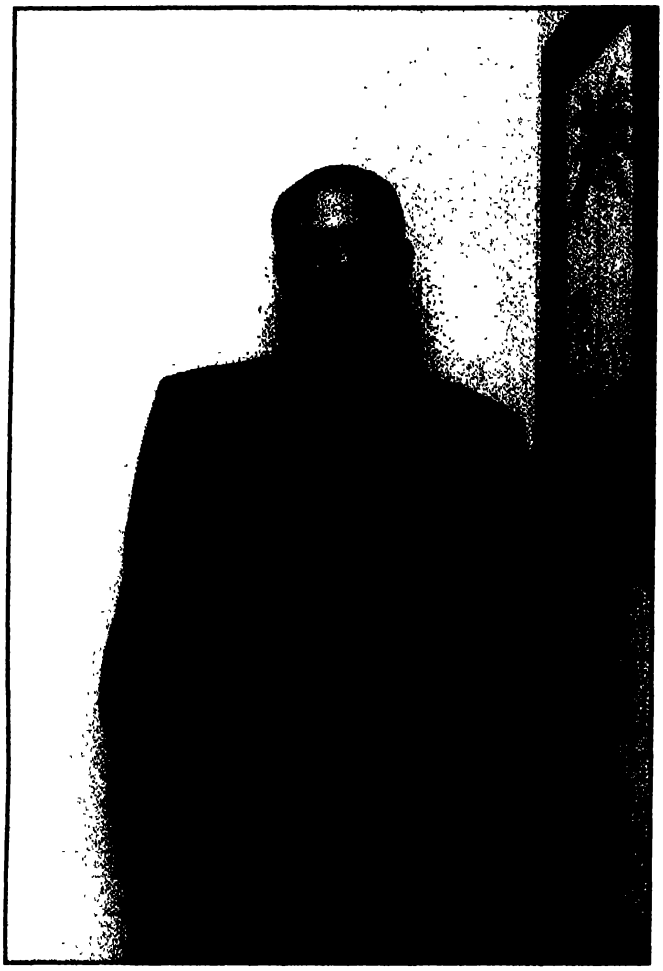
http://www.omega.ch



When Adrianus Nollen and Victor Desouza visited Chennai-based Value Software Technologies' facilities in India, they felt reassured. After all, they had done the right thing in accepting directorships in Value Software. "We had known the promoter, Mr Jagan, and the company for a long time. We also knew their capabilities. But seeing is believing. They have put together a good team," says Desouza, who was a member of Tandem Computers' founding team. He takes care of Value Software's marketing in the US. "Value Software is a financial-services-oriented IT company. It has strong domain skills necessary to handle financial services projects," says Nollen, who has been with Crédit Lyonnais and other reputed banks and financial institutions in Europe. He looks after marketing in Europe. The duo, who have a network of connections, strong functional knowledge, and marketing skills, bring a lot to the table. As only through credible references can an IT company successfully pitch for projects, both of have staked their reputations to bring in projects for Value Software. And the three-year old company has not let them down, they say. While Desouza is exploring the finance, insurance, and construction sectors in the US, Nollen is focusing on banking and financial institutions, especially in the realm of euro and payment systems and merger-related projects. •



Raju Bharat, who has created an unassailable brand in his budget hotel New Kenilworth, has now set out to bring a real pub to Calcutta. Set up with a paltry Rs40 lakh, it seeks to entertain the 30-somethings, a generation too old to disco and too young to die. "All night spots have dancing," he says. Bharat hopes to make it in to a literary centre and has begun with an imported jazz trio, tall cocktails, and soothing notes. Bharat is onto a good thing. The hotel needs a bar and to give it some definition has been a challenge that Bharat seems to have taken to. "Given our location in the centre of things and that we are 30 per cent cheaper than other comparable places (read five-star hotels), we should do okay even with the Calcutta clubs around," he says. Fitted out by Siraj Khan with genuine London memorabilia, it's right at home in the erstwhile second city of the Empire. •



After a photo session with *Business India* Guillaume Levy-Lambert, regional director (Asia/Pacific) of Publicis, the $6-billion Paris-based advertising giant, admits: "It's kind of intimidating to have the limelight on you. Usually it's we who turn the lights on others. I prefer to see ads created by us rather than see my own pictures."

In Mumbai last fortnight to take stock of things at Publicis-Zen, in which Publicis has a 70 per cent stake, Levy-Lambert was overwhelmed. "The kind of work I've seen at our office today is amazing — it's world-class," he gushes. He says he's also looking at acquisitions to steer the agency's growth. "Critical mass is important." But he has no plans to hike his company's stake in Publicis-Zen as Bharat and Alaka Dabholkar and T.N. Ravindran, the Indian partners who set up Zen, are doing a fine job, he says. Besides, he adds, Publicis prefers to have live partners who'll continue to take an active interest in the day-to-day affairs of the outfit.

But he does have a host of other plans for Publicis-Zen. For instance, he plans to launch Optimedia, which will specialise in deciding the right kind of media for the right kind of message. Also lined up for an early launch by early 2000 is Publicis Dialog, which takes care of below-the-line activities. Globally Publicis holds important accounts such as Nestlé, Whirlpool, L'Oréal, Siemens, etc, most of which have a significant presence in India. So will Publicis-Zen make a pitch for these accounts? "It's not for us to decide. But we'd certainly like it," says Levy-Lambert, who is very excited about his company's prospects in India. •



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Hi- tech in Hyderabad

The ICICI Knowledge Park may well make it the 'Knowledge City' of the new millennium

Nestled amidst the scenic beauty of a 200-acre stretch of land in Shameerpet — once a Mecca for picnickers — is the ICICI Knowledge Park. It is a dream come true for ICICI chairman N. Vaghul and ICI chairman Ashok S.Ganguly (a former director of Unilever), who had always shared this vision of creating an atmosphere where leading-edge knowledge could flourish in India. The idea behind the venture is to create world-class facilities for Indian and foreign companies to carry out business-driven research and development in a cost-effective and efficient way, says Vaghul.

With an investment of Rs27 crore, the park, inaugurated last fortnight, consists of 10 modules of 32,000 sq. ft, which have ready-to-use laboratories equipped with facilities such as gas lines, compressed air, air-conditioning, safety showers and fume cupboards. The Knowledge Park has infrastructure for a variety of services like uninterrupted power supply, fibre-optic network for high-speed data transfer, and secondary effluent treatment plant. It will also have support services such as a legal/patent cell, accounting services, and secretarial services.

While Bangalore, Hyderabad and Mumbai were also being considered as potential locations for the venture, a half-an-hour discussion with Andhra Pradesh Chief minister Chandrababu Naidu clinched the deal for the tech-savvy Naidu's pet city, Hyderabad. Naidu positioned the city as a city of learning and promised to give 200 acres of land to set up the project. Hyderabad, according to Chandrababu Naidu, is already a cradle of learning with its eight universities and several research institutions.

The project, work on which started early this year, was completed in just nine months with funding from KFW, a German developmental agency. ICICI had promised Naidu that the park would be completed by 15 August. "We were ready but he was not," says Vaghul with a smile, referring to the chief minister's preoccupation with the recent elections.



Naidu and ICICI chief K.V. Kamath at the inaugration of the park

Why a Knowledge Park? ICICI had sensed a latent need for this product, says Vaghul. Research expenses, he points out, have four components — infrastructure, manpower, basic equipment and social infrastructure costs. According to Vaghul, world-class infrastructure can be built in India at one-third of what it would cost in the West. The cost of an Indian scientist is 30 per cent less than his foreign counterpart, he adds. "One out of every 10 persons involved in science and technology in the US is an Indian. And this is just the tip of the iceberg. The real talent is here to be tapped," says Ganguly.

The Park will have a knowledge network to facilitate collaborative research between industry, research institutions and academia. Thus, a scientist working in the Knowledge Park will be able to seamlessly interface with member organisations and access on-line a database of network members and international databases. Focus areas of research would be telecom, material sciences, chemical technology and biotechnology. ICICI has also set up an incubator fund of $50 million for specific research projects. "Money will not be a constraint for a bright idea," says Vaghul.

For some time, marketing had taken a backstage after GE evinced interest in taking all 10 modules for their R&D in plastics. But with GE deciding to set up base in Bangalore, ICICI has now formed a marketing team which is currently marketing the concept in the US. According to ICICI sources, 30 per cent of multinational research teams are headed by Indians, which will make the idea of setting up a base in India attractive. Enquiries have also been made by Dr. Reddy's and Afimax, a subsidiary of Glaxo.

Says Chandrababu Naidu, "Knowledge revolution will drive the next millennium. This Park located in Hyderabad is the first of the knowledge revolution in India and will act as a gateway to the country's knowledge repository."

◆MEERA SHENOY

HOSPITALITY INDUSTRY

Royal treatment to loyals

With occupancy ratios under pressure and with regular travellers not quite willing to spend as much as they did in the past, hotel chains have been busy thinking up ways to retain old customers and to encourage new ones to walk into their properties. And it doesn't need too much genius to realise that in the hospitality industry as much as in other industries it is the happy customer who keeps coming back. And what better way to retain a

customer than to have a well-designed loyalty programme?

This Dussehra, the Taj group performed a *puja*, lit a lamp and launched the Taj InnerCircle, a loyalty programme for frequent guests. "It's our way of rewarding our patrons, and strengthening our relationship with our guests," says Salim Khubchandani, general manager-relationship marketing at the Taj. According to him, the programme targets anybody with a "propensity to spend and five-star stay."

The InnerCircle is a "free but qualified" programme where a customer can earn a point on every Rs100 spent on food and beverage (F&B in hospitality lingo), room, laundry, telecom and other services. A guest earning 250 points within 60 days can become a silver card member, whereas one spending a total Rs2 lakh within a year becomes a gold card member. The points can be redeemed against goods and merchandise (the group has tied up with various brands to source the merchandise), free stays at various Taj properties and also for availing of discounts on various services at the Taj hotels. Already, the InnerCircle seems to have caught the customers' fancy. "By day 12 of the launch, we have already received 500 applications," says Khubchandani, who expects the InnerCircle family to have as many as 100,000 members in three years.

Poised for a "quick and phased rollout", the Taj InnerCircle will first be launched at 21 key Taj properties, which make up almost 80 per cent of the chain's customers, followed by 20 properties in the second phase (by January 2000). The remaining properties will be covered in the third phase, scheduled to be completed by April 2000.

This is more an obvious, than a new idea. The ITC welcomgroup has had such a programme in place for over a decade now. "In fact, we were the first to identify the business segment for such a loyalty programme," says a Welcomgroup spokesperson, adding, the WelcomAward programmes targeted at the frequent business traveller were launched in 1988. Says Welcomgroup's vice-president (marketing) Ashok Anantram: "Customer bonding takes many forms at Welcomgroup and the WelcomAward programmes are an important relationship building strategy with the frequent business traveller. Perhaps the most unique selling point of WelcomAward is its ability to reward all aspects of business travel through unique strategic alliances with partners, spanning the entire gamut of travel-related services."



The investment in the InnerCircle scheme is worth the while, says Taj's V-P Baliga

Welcomgroup, which plans to set up a number of hotels in the super deluxe category in the next five years, intends to feature this and other customer loyalty programmes at all the new properties as well. "Welcomgroup's marketing philosophy is based on the premise that the task of marketing is to develop long-term relationships with our customers and constantly add value. In a competitive environment, constant value-addition to consumers is perhaps the single most important factor in consumer retention and market share expansion," says Anantram.

The Oberoi group too has its own loyalty programme called 'Top', which enables frequent travellers to redeem points earned by availing of free holiday packages, weekend retreats, gifts and merchandise, dinners, etc, at various Oberoi and Trident properties. Thirteen Oberoi properties and eight Trident hotels are participating in the loyalty programme. Top has an interesting offer for those wanting to do their good deed for the day — customers can donate their points to various programmes of CRY, INTACH or WWF and make that differenfce to the world.

So what took the Taj so long to launch its loyalty programme? "We wanted a programme that could be benchmarked with the best international ones," says Pankaj Baliga, vice-president (marketing) at the Taj. Incidentally, he says, the Taj had introduced its first-ever loyalty programme, the Favoured Guest Club, at its Udaipur property way back in 1983, but chose not to expand it to other properties given the poor communication and infrastructure scene in the country then. "We are a 'with it' company, and we can't have our customers standing in queues or filling up forms to be part of our family," explains Baliga.

So, 'with it' Taj spent a whole lot of time, not to speak of money, designing the Taj InnerCircle, the backbone of which is a hi-tech one-point call centre for which Tata Consultancy Services was asked to develop a special software. The centralised service maintains data regarding not only the points earned by the guests but also details such as their birthdays, anniversaries, tastes and preferences. Also, for the customer, information regarding his points and their redemption is just a call away.

To generate awareness and enthusiasm among its staff, the Taj spent a whole month prior to the launch on roadshows at the 21 properties participating in the first phase. In fact, it has even handed out pocket-sized ready-reckoners on the programme to all its front-line staff at these properties. "All this involves a major capital cost, including hardware, software, the service centre, trained live personnel etc. But it's an investment worth the while," says Baliga.

•SANGEETA MENON

INTERNET VENTURES

The all-Indian e-auction

Auction sites such as e-Bay have been making waves in the new, exciting world of e-commerce. Indian Internet startups have been quick to jump onto the bandwagon. One of the first companies ready with an Internet auction site is Chennai-based Cyber Commerce Private Limited, an associate of Cybernet Software Systems Inc of the US. The company claims that its recently launched Website www.auctionindia.com is the first ever for auction and sale of industrial assets such as machinery, plant or total factories, and businesses. Co-promoter C.E. Karunakaran says: "Today the options open to any business that wishes to sell its surplus or used machinery or other kinds of assets are limited to advertising in general and niche publications. Some even try physical auctions and locally brokered deals. But none of those fetch the desired realisation, as information flow to the most fruitful targets is rarely ever achieved."

In this scenario Karunakaran, a former managing director of a consultancy company promoted by banks and financial institutions, saw a business opportunity and launched AuctionIndia to bridge the gap by ensuring efficient communication between the holder of an investment asset and its most suitable user. "Internet auction helps prices find their true market level by reaching a wider audience," says R. Shiv Kumar, vice-president of Cybernet Software Systems Inc. Along with C.K. Thomas and Shiv Ramani, Kumar founded the three-year old Cybernet. AuctionIndia currently offers free listing to buyers and sellers of industrial assets. They are encouraged to provide detailed information and, where necessary, even photographs.

Karunakaran says the response has been encouraging. "Within a few weeks as many as 500 machines and dozens of total manufacturing lines and businesses were put up for sale on the Website." AuctionIndia has identified its target clientele. Besides large corporates and SMEs, the promoters are wooing banks, FIs, and government agencies. The recovery cells of banks and FIs have to dispose of assets and liquidations. Similarly, government agencies have been adopting the traditional tender-cum-auction method for disposal of used machinery, etc. "We are convincing them that these can be supplemented by online auction, which can ensure higher recoveries, besides speed, convenience, and space and time flexibility.

"There are several advantages," explains S. Raghothaman, formerly with ICICI and now a consultant. "A prospective seller can provide only limited information in a print advertisement, unlike in an Internet auction. The Website, with a proper database, can cut down the transaction time by providing answers to queries instantaneously." The site, which is in its nascent stage, facilitates a negotiated sale between buyer and seller. The process begins with the submission of details by the prospective seller. AuctionIndia vets the offer, checks the seller's antecedents, and verifies the details just to ensure credibility and quality of service. Once the offer is posted on the Website, prospective buyers can express interest in an asset and seek further details. AuctionIndia, acting as a mediator between the buyer and the seller, brings the two parties together for closure of the sale.

AuctionIndia charges up to 5 per cent of the sale price as a 'performance fee'. "It was really simple," says K. Raghavendran of Venu Engineering Services. "I recently bought a grinding machine from Bangalore at a reasonable price. The main benefit I could see was the ease in identifying the machine I wanted and the choice in pricing. Of course, I did not need to interact with any brokers in between." Soon, the company will be launching full-fledged auction. "We have a proven auction software developed by our associate Cybernet Software Systems which is already being used by a San-Jose-based auction company to sell used laboratory equipment," says Karunakaran. This will allow competitive bidding and the site could even

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Karunakaran says he's hopeful of breaking even in three years

bid on a client's behalf up to a predetermined value. With the bid history and the current highest bid available on screen, the auction conducted by the computer is entirely transparent. Also, to ensure that only serious bidders are in the fray, AuctionIndia will specify pre-qualification norms wherever necessary.

Another problem is that, unless the site attracts buyers, sellers won't be inclined to put their assets up for sale on it either. It is the classic chicken-and-egg proposition, because buyer interest depends on the number of sellers who are putting assets up for sale on the site. Moreover, the auction market for industrial goods comprises hundreds of vertical markets which are divided along the lines of industry/segment. AuctionIndia is aware of these problems and is confident that it will tackle these problems along the way. In fact, Karunakaran is so upbeat that he's already talking of breaking even in three years!

♦MOHAN RAMAMOORTHY

IPRs IN INDIAN INDUSTRY

Useful TRIPs

Speaking at a recent workshop in Mumbai on *The World Trade Organisation (WTO) and Intellectual Property Rights (IPR): Implications for Indian Business*, Anwar Ehsan Ahmad, the joint secretary to the Union industry ministry, drew an analogy between Indian industry and the Indian cricket team. "I personally do not subscribe to the view that Indian industry needs to be protected," he asserted. "But like our cricket team, it has not only not performed to its potential, but has been quick to assign various excuses for this shortcomings." He recalled how the Indian team had complained that it lost the cricket World Cup recently as the rules formulated for the event had worked against its interests.

Ahmad decried the bogey that was sought to be raised on the question of the WTO's Trade Related IPR (TRIPS) regime, which prescribes protection norms for patents, plant and seed varieties, micro-organisms, copyrights and neighbouring rights, trademarks, industrial designs, integrated circuits, geographical indications and trade secrets.

"While IPR violations will evoke criminal and civilian remedies, India's Copyright Act and related legislations already provide for criminal remedy and similar provisions obtain for trademarks and industrial designs," he noted. "There is no doubt that the TRIPS agreement will take us forward, provided we get incorporated into its issues of public and national interest and security." According to him, a strong IPR regime would induce an augmented FDI inflow.

The senior bureaucrat was responding to a presentation on the issue by Prabuddha Ganguli, manager (corporate planning) with Hindustan Lever Ltd. Ahmad said that the IPR issue had been whipped into an emotive one through frenzied media attention which at times was uninformed. The recent controversies over the so-called patent processes concerning *neem*, turmeric and *basmati* rice were a case in point.

In this regard, he deemed the workshop — jointly organised by the Council of EU Chambers of Commerce in India, the Bombay Chamber of Commerce and Industry and the New Delhi-based Friedrich-Naumann Foundation — as a worthwhile exercise on the lines of the 13 interactive sessions on this crucial subject that have been held nationwide to date. "We hope to get our submission for the WTO ready by 1 January 2000 in order to render India TRIPS compliant," he explained.

Ahmad's assertion was in keeping with commerce minister Murasoli Maran's separate assurance that India would adopt a constructive approach towards the WTO framework and not repeat past errors at the forthcoming ministerial level meeting in Seattle, known as the millennium round. "We will not fear to negotiate, but not negotiate out of fear," he is reported to have said.

The joint secretary pointed out that his ministry had allocated Rs20 crore towards revamping the patent administration in order to reduce the enormous backlog of 33,000 patents awaiting approval. The prevailing system of processing patents had been found to be vastly outdated considering the surge in new applications from Indian industries since 1994, he said. It was proposed to make India a regional hub for patents by the World IPR organisation (WIPRO), he added. Ahmad indicated that bills to amend the Trade and Merchandise Marks Act, Designs Act and Copyright Act were pending in Parliament when the government fell last April and they would be coming up for ratification shortly.

♦SAROSH BANA

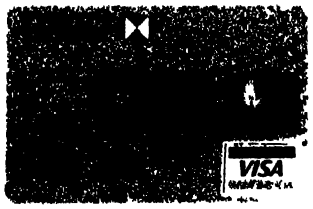
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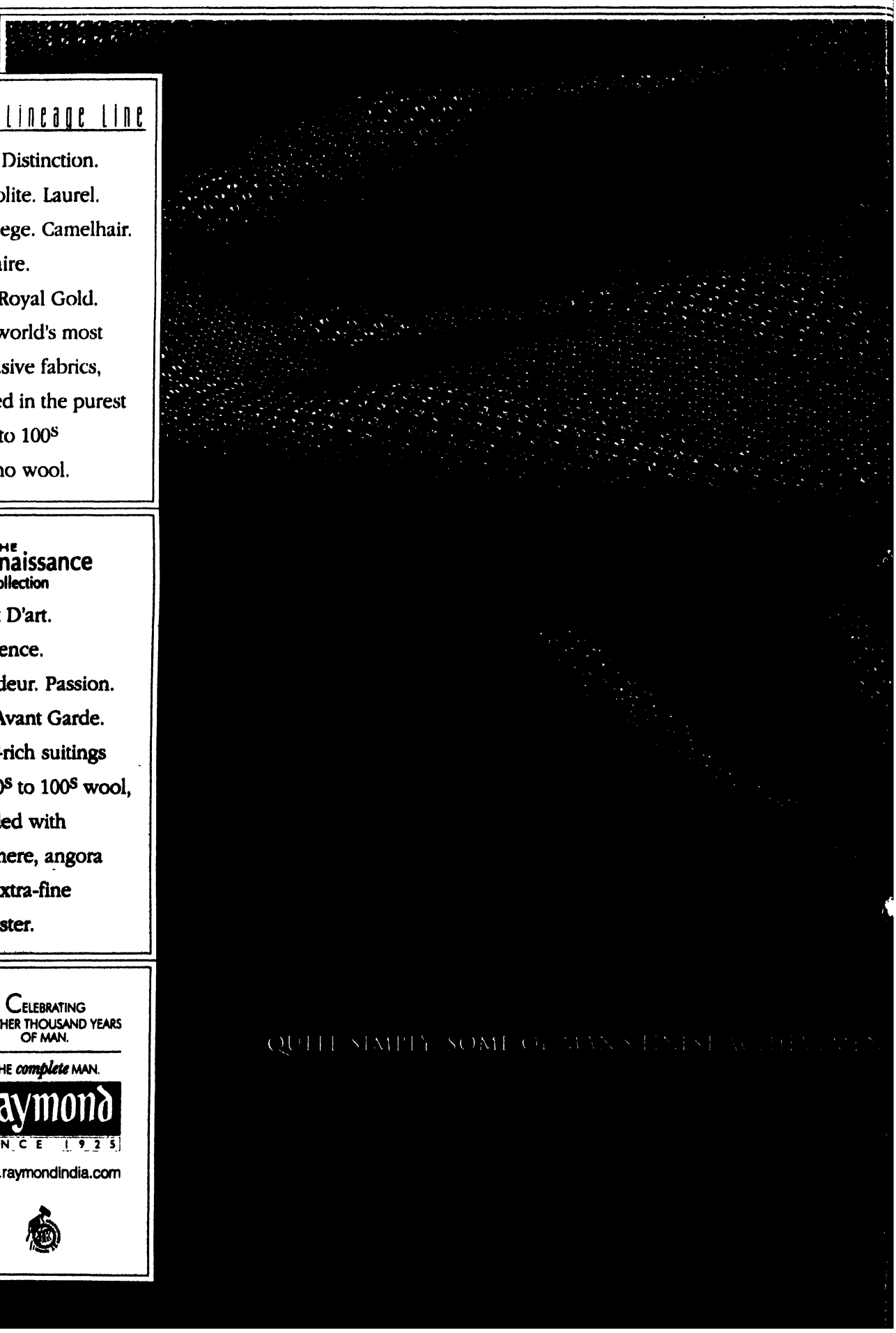
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BRIJ KHINDARIA

The author is an international columnist for Business India

Seeing sense at Seattle

India needs to take up a realistic stand at the next round of WTO talks

While the world's major trading nations increase their co-operation to further boost world trade, India cuts a forlorn picture – like Don Quixote charging at the windmills. Unfortunately, in India, trade policy formulation still remains firmly in the hands of bureaucrats and intellectuals, many of whom would rather be in government service as advisors at additional secretary and secretary rank than work in favour of the country's companies.

At the forthcoming trade summit in Seattle starting 30 November, India is once again likely to take up outdated causes such as preserving many aspects of its high import regime, protecting its subsidies and winning favours for traditional exports like textiles and new exports like software. It will also try to obstruct discussions on ending exploitation of labour and children for production of cheap exports, in addition to opposing talks related to environmental pollution by industrial units. India will argue for fewer restrictions on the country's export of skilled people for employment abroad and seek to retain the loopholes in its intellectual property regime. While some of these may be worthy causes, they are also outdated.

The "millennium" round to be launched at Seattle will decide the shape that world trade rules take in the next 10 years or so. In today's fast-paced times, 10 years will see so many changes as to make the global economy of 2010 unrecognisable in comparison with the current world economy.

The purpose of the Seattle agenda is to build a framework within which to contain the explosion in competition and beggar-thy-neighbour trade policies expected to emerge during the next decade. India should be preparing for that hectic and potentially chaotic future for business, instead of continuing to harp on the broken promises and tardiness of Western nations in implementing previous agreements.

The trouble with Indian officials, negotiators and intellectuals is that they are too well-read and too clever for their own good. Consequently, they focus more on the very intricate details of the wording of draft agreements and matters of "principle" or broken promises of the past, rather than fight a war from the point of view of a general. Make no mistake – world trade is now full-fledged war. In an age when weapons cannot be used to grab the wealth of other nations, trade is used to do so. Negotiating trade agreements and making trade policy can no longer be left in the hands of scribblers and nit pickers. It is now the work of generals, of people who see what their economies and enterprises need and then go out into foreign lands with the weapons of trade to grab those requirements. That grabbing is done using nimble and competitive business practices with the resolute political support of their governments and diplomatic missions.

World trade is not a do-good campaign designed to alleviate poverty and uplift the downtrodden. That is the stuff of domestic policies and local good governance. World trade is the fully-loaded stealth plane on a sortie to secure market share and access to markets, technology and finance required by enterprises, which are locked in a competitive and fratricidal struggle for their lives.

For over 50 years, India has seen world trade negotiations as a defensive exercise to protect itself from the competition offered by foreign products and services. It should now see trade negotiations as an opportunity to secure the future for its businesses in a world that gives no quarter to countries like India. Fighting to obtain redress for broken promises made in past agreements regarding India's exports is useless. In the global economy of 2002 and beyond, India will have to export many more high value-added products and services to remain competitive than just furnishing fabrics and cheap clothes.

So India should use the Seattle talks to set an agenda that helps it to secure access to markets for those new products of the future rather than still harp, for 25 years, on the tired agenda of the past. The future lies in electronic commerce, telecommunications, leisure industries, multi-modal transport, low pollution technologies, leading-edge engineering and multimedia communications, among other things. All of these are knowledge-intensive and creative domains – just what the doctor ordered for India's intelligent business people. Will Mr Vajpayee's soldiers pave the way in Seattle for these battles, or will they continue to joust at the windmills of the past? ◆

Coping with governance

The wider connotations to the charge of leadership in UP

First, sample the tidbits:

• The new chief minister of Uttar Pradesh, Ram Prakash Gupta, was the president of his state's Jan Sangh unit between 1962 and 1966. It was in this capacity that he gave Kalyan Singh his first party ticket to contest the assembly election in 1964. Hence Gupta is miles ahead of Kalyan in sheer terms of seniority within the party apparatus.

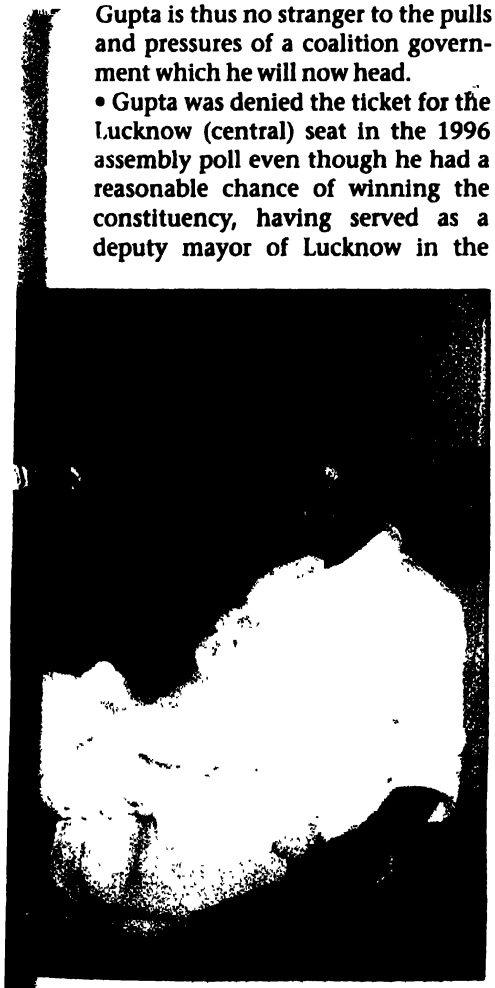
• Gupta became the deputy chief minister in the first Samyukta Vidhayak Dal government, a hotchpotch arrangement of anti-Congress parties, in 1967. The government, headed by Charan Singh, was the first attempt in UP at coalition politics. Gupta is thus no stranger to the pulls and pressures of a coalition government which he will now head.

• Gupta was denied the ticket for the Lucknow (central) seat in the 1996 assembly poll even though he had a reasonable chance of winning the constituency, having served as a deputy mayor of Lucknow in the 1950s. He chose not make an issue of it and kept his own counsel.

• He politely rejected the offer of deputy chairmanship of UP's planning board not because it was a sop but because it had the unmistakable stamp of Kalyan's growing arrogance. Gupta had served as deputy chief minister and subsequently held the weighty portfolio of industry in the Janata Party government which ruled UP between 1977 and 1980. If he were to accept a post with a minister of state status it would send a wrong signal all round. For one thing, the bureaucracy would not take him seriously. When this message was conveyed to Kalyan, the post of deputy chairman of the planning board was upgraded to cabinet rank.

• During the Lok Sabha election Kalyan refused to rein in his close associate Sakshi Maharaj, who openly campaigned for the Samajwadi Party in the Lodh belt of UP. Kalyan's son too made a pitch for Mulayam Singh Yadav's party in a couple of meetings.

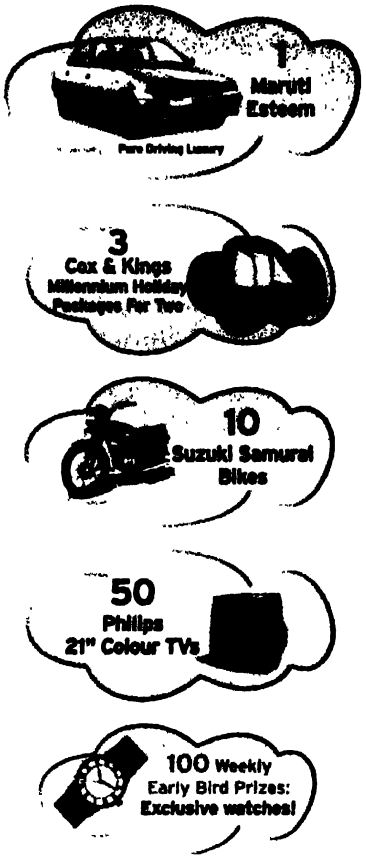
• Long before matters came to a boil in Lucknow, Gupta had been sounded out on a possible new assignment and told to start networking with senior central leaders, particularly those from UP.



Kalyan makes his exit, alone and unsung

Now take these tidbits one by one and between the lines. The picture that emerges is that Gupta's selection as Kalyan Singh's replacement was a closely-enacted drama with its roots in the past. These tidbits, which would normally constitute the stuff of which coffee-house gossip is made, in fact formed vital inputs into the leadership transition. Examined in totality, the pieces of the jigsaw puzzle showed how the BJP's mind works and how the party in the Vajpayee dispensation is attempting to come to grips with the realities of day-to-day governance. Gupta's elevation, with Vajpayee himself being an active participant in the selection process, also reinforces the theory that the Vajpayee-led BJP establishment is

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moving ahead on the road to right-wing liberalism, almost on the lines of the Conservative Party in Britain.

For all practical purposes the BJP is now functioning within the parameters of a new agenda set by its rainbow coalition partners in the National Democratic Alliance (NDA). In the bargain the party has shed a chunk of its extremist baggage and diluted its fringe politics. Kalyan has been a casualty of this process. Also, the process of social engineering initiated within the party in response to the Mandal politics of the early and mid-1990s has been put in cold storage.

While Gupta's studied distance from the factional wars of the BJP's Uttar Pradesh unit was a significant factor in his favour, a major concern for the BJP leadership was to get a person who could make some effort to put the state's finances on an even keel. The financial situation in UP is said to be so bad that serious doubts were being expressed last month about the government's capacity to pay its employees' salaries and disburse pensions to ex-employees.

Multilateral lending agencies like the World Bank have been threatening to hold back aid to major projects, including those of the state electricity board (SEB), if the runaway government expenditure isn't curbed. An attempt by the Kalyan Singh government to raise revenues to the tune of Rs500 crore by imposing a trade tax has almost come unstuck because of largescale protests by traders. Gupta, who has a firsthand overview of the problems facing UP and has been actively associated in the state's plan outlay talks with the Planning Commission, is expected to tackle this issue on priority.

Gupta's name as a successor to Kalyan Singh is believed to have come up during an informal conversation on the situation in UP between Vajpayee and Nanaji Deshmukh, the former Jan Sangh and RSS strongman who is now living the life of a social activist in the backwoods of eastern UP. Deshmukh is believed to have expressed concern at the continuing drift in the administration and the growing sense of disillusionment

e-commerce

among the people of the state with the ruling establishment. He is believed to have suggested that the installation of a non-controversial person like Gupta could also help heal the growing schisms within the BJP's state hierarchy.

There was a touch of Congress-type realpolitik in quashing the latent rebellion. Here, Gupta's strong RSS background came in handy. After all, he was an RSS worker as a student of Allahabad University at a time when present RSS chief Rajju Bhaiyya was teaching physics there. This was the perfect counterweight to Kalyan's attempts to stage a rebellion by raising the saffron ante on issues like Ayodhya, Article 370, and the uniform civil code. Fortunately for the BJP, the fires which Kalyan was threatening to light were quelled immediately as political trouble in UP could have adversely affected the party's prospects in neighbouring Bihar, where elections are due in March. Laloo Yadav, for one, would have jumped at the ouster of a chief minister belonging to a backward caste and painted the BJP as a party of upper and forward castes.

A BJP office-bearer later remarked: "As soon as Kalyan started talking about Ayodhya, Article 370, etc, we knew we were on a safe wicket. He was merely venting his anger and frustration at Vajpayee, whom he holds responsible for his ouster, by indirectly attacking his liberal agenda. Our worst fears were that he would join hands with Mulayam and form a pan-backward castes alliance in UP."

But some BJP leaders in private admit that the Kalyan episode may already have damaged the party beyond retrieval. But at least an attempt at governance will be made so that the BJP can face the assembly polls two years hence with greater confidence, as a middle-level leader pointed out. "A government under Kalraj Mishra (a key dissident) would not even have lasted one month. Under Kesarinath Tripathi (a Kalyan candidate) it would have lasted a maximum of three months. Under Gupta it will last for at least one year."

◆ RAKESH JOSHI

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1. Source: PC Computing, July 1999.
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Another new beginning

Lee Kuan Yew, the builder of modern Singapore, once remarked that had scientists not discovered the comforts of air-conditioning, his country would not have achieved the economic miracle it did. Air-conditioning was a necessity to beat the tropical humidity of Southeast Asia and keep the Singaporeans in comfort while they unleashed their entrepreneurial energies to make their country a major trading hub in Asia and the Pacific. A few decades down the line Singaporeans may be thanking the Internet for sustaining the miracle.

Indeed, with the Internet now emerging as a critical info-communications medium for business competitiveness, the Singapore government has been quick off the mark formulating strategies to respond to the emerging Net economy. The effort is to make Singapore an e-business hub in the region. These strategies essentially build on its current approach — attracting MNCs to set up their business headquarters and international procurement offices in Singapore. An effort is on to explore how the Internet and the country's broadband infrastructure of wiring up all households and establishments quite simply called Singapore One can be exploited to enable MNCs to facilitate business transactions and a better flow of information and to and from the country.

These responses stem from the realisation that info-communications in the coming years will be the key driver of economic growth in Singapore's knowledge-based economy. The country's communications and information technology minister Yeo Cheo Tong points out, "The Internet has created a different kind of playing field for businesses. Time and space are no longer constraints. Instead we have a global market — space that is borderless and cuts across time zones. Focusing down to a market size of one, with mass customisation at the individual level, is no longer a pipe dream but a reality. Incumbents do not necessarily hold the competitive edge. New



Singapore IT minister Yeo Cheow Tong spells out his millennium vision

companies that understand how to exploit the Internet and change the rules of competition can easily erode the market share of the incumbents."

Apart from promoting its own infrastructure, Singapore has been attracting software companies and tool and service providers that offer solutions to meet the needs of the various sectors. Some of the companies that have made substantial investments in Singapore include SAP, IBM, HP, Microsoft, Sun Microsystems, and Sybase. Indeed, with India churning out such a large IT workforce, there appears to be sound basis for cooperation with Singapore in this field.

The large Indian presence at SAPPHIRE '99 Singapore, a three-day forum for stakeholders and customers of SAP's Internet-based, inter-enterprise software solutions and their partners, was a clear pointer to the efforts in this direction. The occasion provided the right interface between representatives of the 170-odd Indian companies who use SAP solutions and Singapore's IT crowd.

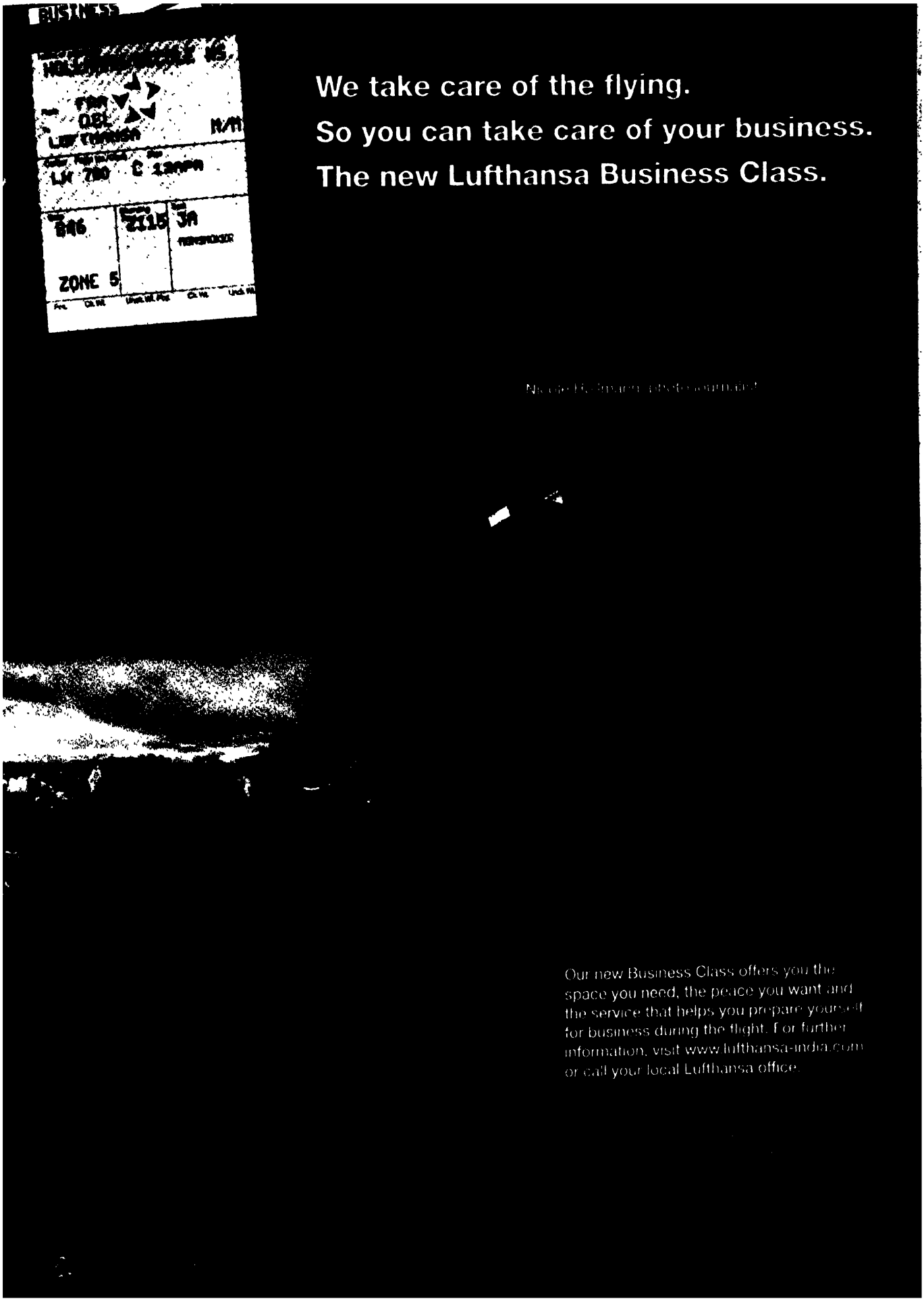
But those who matter in Singapore are somewhat surprised at the low-key launch of the Ministry of Information Technology in India. Indeed, some in the government had not even heard of it. The fact that this ministry is headed by no less a person that a person than Prime Minister Atal Behari Vajpayee himself is also met with unconcealed scepticism: "Will he have the time for it?" A partial answer was provided b Henning Kagermann, who was th chief host of SAPPHIRE '99 as co-chai man of SAP AG.

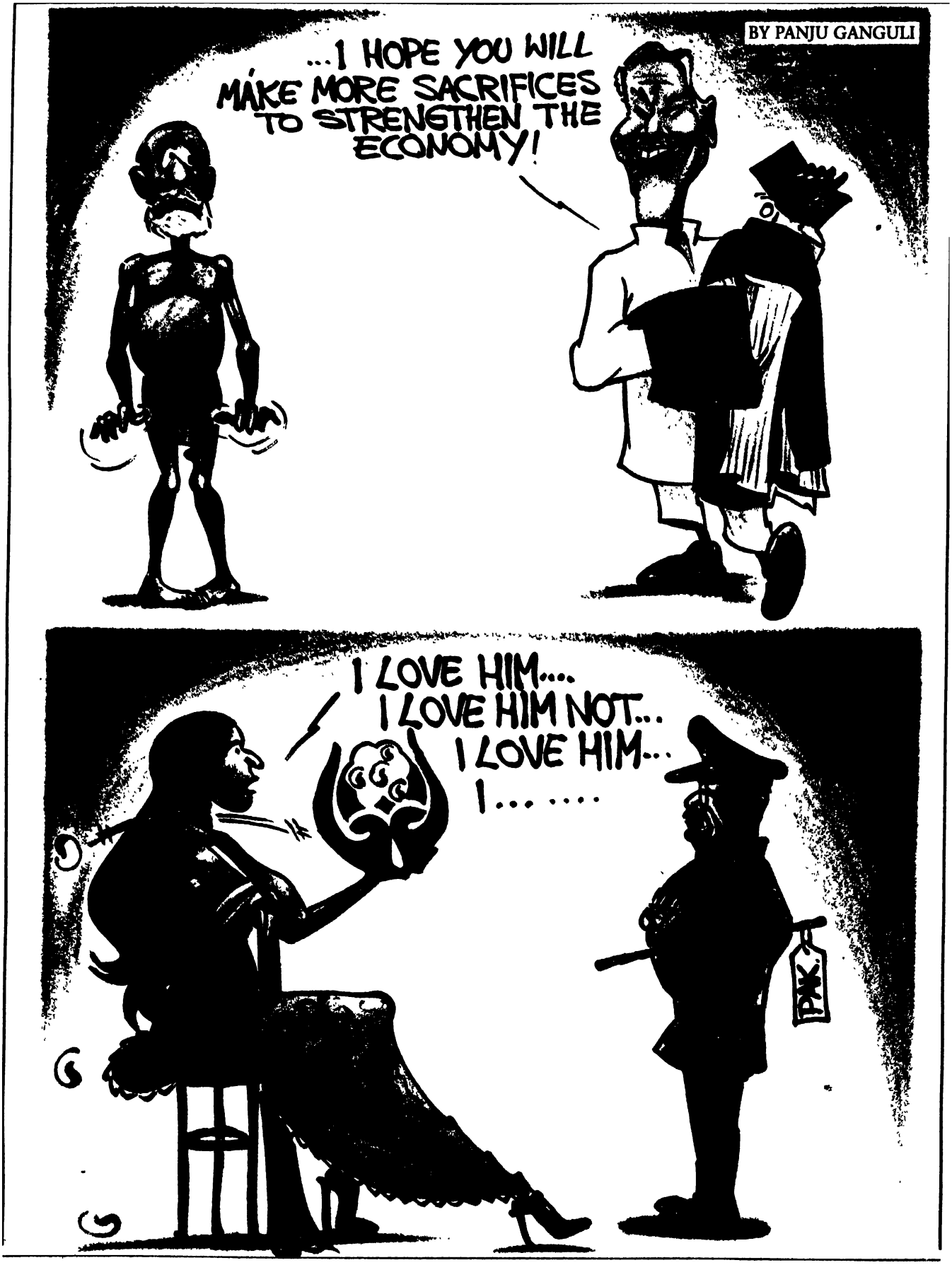
The former business informatio technology lecturer advocated th appointment of a person "with a bus ness-IT background" as the head of thi ministry because it would the become easier to implement system in the public sector which is always difficult task. Pleased as punch at SA India's recent emergence as the fastes growing offshore subsidiary, Kage mann and Les Hayman, his chie representative for Asia/Pacific, did no hesitate to hardsell India as one of th key markets of the future in view of it surging Internet subscriber levels.

Atal Behari Vajpayee's ratings as liberaliser are high because he is seer as a politician who has played out long innings that is in its final stage An old India-watcher, who is perceivec to have the ear of prime minister Gol Chok Tong, points out: "Unlik younger politicians, who ar constrained from going the whole hog on reforms because of the fear of th fallout impeding their second or thirc term, Vajpayee has nothing to lose. have interacted with him on severa occasions when he was the leader o the Opposition in Indian Parliament He has a simple way of putting things across but he is clear in his mind about what he wants."

Prime Minister Goh Chok Tong, is planning to visit India in January next year, possibly with an offer of economic cooperation. Confirming this to *Business India* last fortnight, Goh's press secretary Ong Keng Yong said the visit was to have taken place early this year but was put off because of the Vajpayee government's untimely fall. With the new government in New Delhi now there to stay, the Singapore government can countenance long-term relationships. Policymakers in Singapore often remind visitors from India that their country was at one stage a keen aspirant for a membership of the Asean but had to settle for dialogue member status. It would now be in India's interest to grasp with both hands the friendly hand reached out to it.

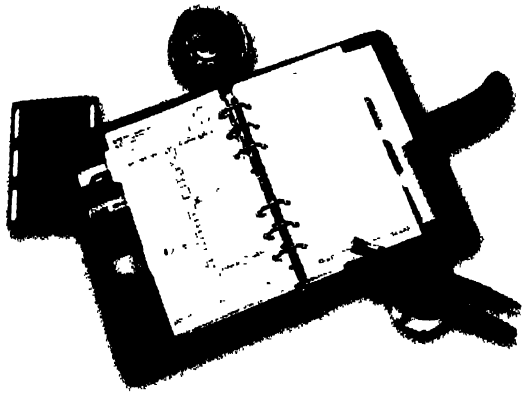
◆ RAKESH JOSHI in Singapore


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Why has growth slowed?

A look at the impact on the Indian economy of conditions in three major sectors

The proximate determinant of the deceleration in industrial output is deceleration in industrial investment, exports, and consumer demand generated by low growth of rural incomes coupled with moderate growth in money supply and credit, and infrastructure bottlenecks. A sharp fall in exports of manufactured goods has been a major cause for industrial slowdown in the country. This was the result of domestic factors such as an overvalued exchange rate and infrastructural bottlenecks, and external factors such as the East Asian crisis and deceleration in world economic growth. At the same time, the relatively cheaper imports put competitive pressure on several industries like steel, chemicals, and electronics.

There has been a significant decline in both public and private corporate investment with annual growth rate in gross fixed capital formation (GFCF) falling from 18.9 per cent in 1995–96 to 6.3 per cent in 1996–97 and 5.2 per cent in 1997–98. This in turn has adversely affected the demand for industrial products (via the inter-sectoral linkage) and resulted in lower industrial output. Similarly, the real value added in agriculture increased by an average of 1 per cent per annum during 1995–98 in contrast to 3.5 per cent growth during 1991–94. This in turn led to a decline in rural incomes and adversely affected the demand for industrial products, particularly consumer durables.

Besides demand-related factors, the supply of finances to the industrial sector from banks and the capital markets has not been sufficient to support higher growth. Money supply (M3) and non-food credit to the commercial sector grew at an average of 17 and 13 per cent during 1996–97 and 1997–98 compared to 19 and 17 per cent during 1991–92 to 1995–96 respectively. Even the moderate growth in M3 in the last couple of years is due to a significant increase in net bank credit to the government.

The annual growth rate of loan disbursements by all-India financial institutions such as IDBI and ICICI has also declined from an annual average of 26 per cent for the period 1991–92 to 1995–96 to 15 per cent since 1996–97. The total flow of funds from banks to medium- and large-scale industries including loans and investment in commercial papers has been moderate, with 10 per cent annual growth during 1996–97 and 14.5 per cent during 1997–98. The capital markets (both primary and secondary) have also remained depressed for the last couple of years, drying up the source of investment funds for industry. While small and medium corporates have found it difficult to access institutional funds, banks have been cautious in lending because of their high non-performing assets. The relatively high costs of borrowing have also affected several industries.

There has been some controversy regarding whether there was 'credit crunch' or perceivable contraction in credit supply to the commercial sector since 1995–96 and to what extent it is responsible for the slowing down of industrial growth. The corporate sector at large has attributed the slowdown since 1995–96 to the lack of access to adequate credit along with other factors such as decline in export growth, lack of progress on various reform measures, and political uncertainty. However, the monetary authorities argue that there was no credit crunch and that, in fact, there was "moderate" growth in credit to the commercial sector compared to the previous years. The commercial banks also complained that there are no takers for their funds and the observed moderation in bank credit to the commercial sector is primarily demand-driven.

In this regard we observe that, first of all, moderate growth in credit to the commercial sector itself does not tell whether the sector is credit-constrained. If the demand for credit increases more than the supply, credit constraints will prevail even if the supply of credit is 'moderate' or 'higher' than in previous years. In fact there was a sudden shift in demand in favour of domestic bank credit during 1995–96 as the corporate sector expected a depreciation of the rupee and shifted out of foreign-currency borrowings. To the

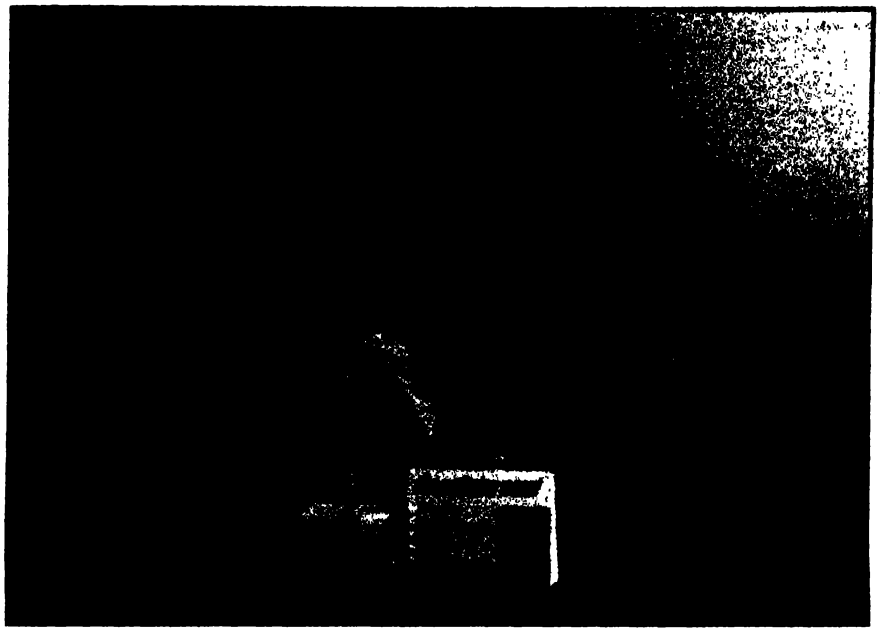


The slowdown in agriculture growth is not a serious cause for worry

extent that this additional demand was not met, it was forced to cut down on some its activities.

Similarly, throughout the period since 1995–96, interest rates have remained very high across the board, both in nominal and real terms, with the interest rate on government market borrowing setting the floor. This has negatively affected the demand for credit from banks by those who are relatively 'creditworthy' and to whom the banks are willing to lend. Banks at the same time may not be willing to lend to 'risky' borrowers who are willing to borrow even at high costs. This generates a scenario in which there exists both excess demand for funds from risky borrowers and excess supply of funds to creditworthy borrowers.

Either due to the high cost of borrowing or due to the lack of access to adequate credit, the corporate sector will have cut down its plans for investment and current production. While the initial adverse impact of a monetary contraction is on a selected set of industries, over a period this will result in a general deceleration in output via forward-backward linkages. Finally, it is quite possible that moderation in growth of money or credit adversely affects the growth of industrial output in the initial years which in turn has a negative feedback effect on further demand for credit.



PALASHRANJAN BHAUMICK

Services remains the highest-growing sector and an important contributor to overall growth

Agriculture

While the agricultural sector grew at an annual average rate of 3.5 per cent during the early 1990s and thereby supported industrial growth, it has not been stable since 1995–96. In fact there was an absolute decline in agricultural production during 1995–96 and 1997–98. As in the industrial sector, the decline in output of the agricultural sector during 1997–98 has been associated with a general decline in most of the commodity groups. In terms of composition, foodgrain production recovered during 1996–97 and 1997–98 to the 1994–95 level of 191 million tonnes after a significant fall in 1995–96.

It is important to note that, despite good monsoons in the early 1990s, the average growth of foodgrain production for the 1990s is 1.3 per cent compared to 2.5 per cent in the 1980s. The production of commercial crops, on the other hand, has increased at a stable rate throughout the 1990s except for 1997–98, during which it fell by 6.9 per cent. This declining trend in the growth rate of foodgrains in itself need not be a cause of concern as it may be a result of a national response of farmers to an increase in the relative profitability of commercial crops. The substantial stocks with the government could always be used to match the demand for foodgrains in the event of a shortfall in supply. Trade in food commodities could also be pursued as a policy option to match the demand and supply for foodgrains.

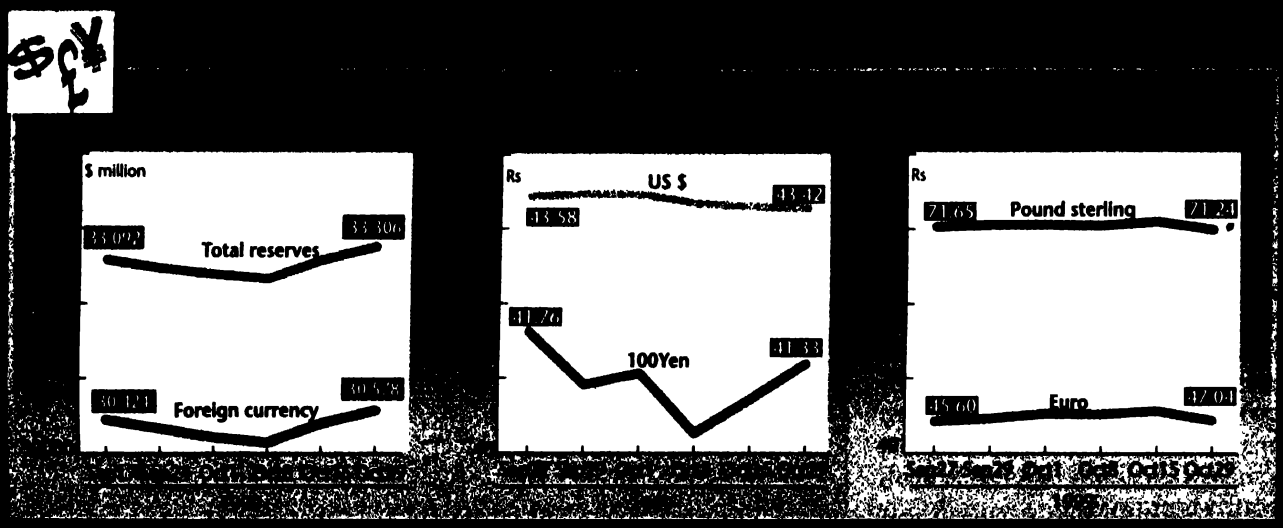
Services

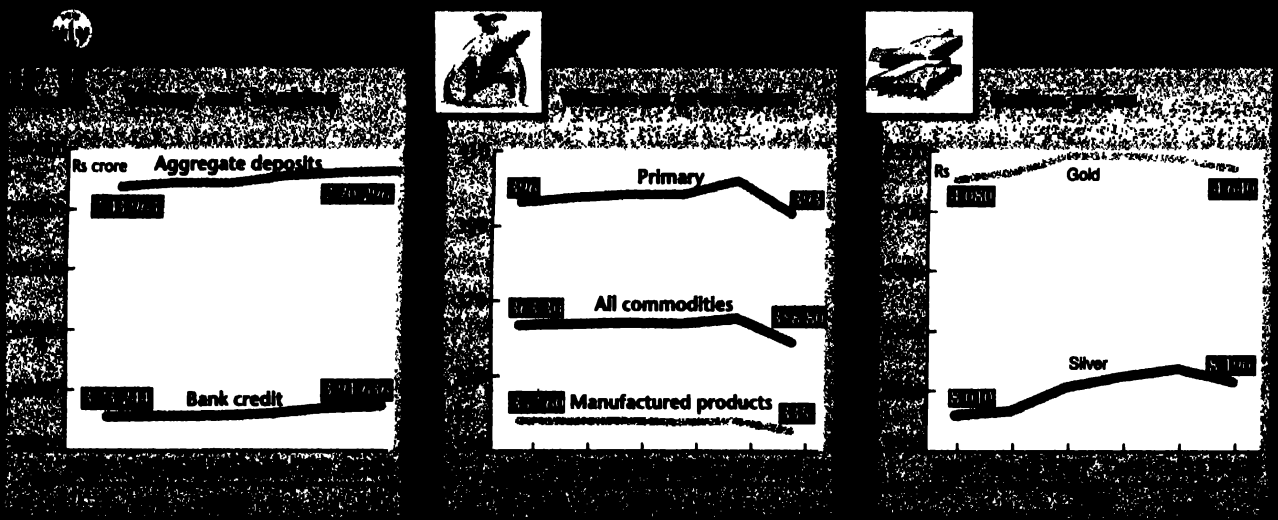
Another important feature of the growth process in the 1990s is the continued dominance of the services sector as an important contributor to the overall growth of the economy. As in the 1980s, the growth in services continued at a steadily increasing level throughout the 1990s. The average annual growth of the sector increased from 6.6 per cent during 1981–90 to 7.1 per cent during 1990–98. Following the general trend in the other sectors, there has been a slight deceleration in this sector since 1996–97, although the annual growth rate still remains way above that of the manufacturing sector. In terms of composition, barring real estate, most other services have experienced steady growth in the 1990s. In the case the construction sector there has been a turnaround, with growth increasing from 0.94 per cent in 1993–94 to 9.72 per cent in 1995–96, while the growth in real estate has remained low at around 3 per cent throughout the 1990s. The deceleration in growth of the services sector since 1996–97 seems to be driven by the slowdown in the growth of finance and banking, trade, and real estate.

Available data for the current state of the economy do not indicate any prospect of an early and fast revival. Advance estimates by the CSO indicate a growth of 5.8 per cent during 1998–99. This improvement is largely on account of improved agricultural production. But the gain there would be neutralised by a further fall in the industrial growth rate. Data available for the first three quarters of 1998–99 indicate only a 3.5 per cent rise in the index of industrial production. But the capital goods sector has grown by about 10 per cent, providing some signs of a recovery in the near future.

Excerpt from India Development Report 1999–2000 published by Oxford University Press

Straws in the wind





Oct 1998	1073.7	0.0	1647.0	25.1	-573.3	-25.1	-598.4	-215
Nov 1998	1039.1	0.0	984.5	254.5	54.6	-254.5	-199.9	70
Dec 1998	1195.3	150.5	863.0	272.9	332.3	-122.4	209.9	180
Jan 1999	1713.0	6.8	1317.3	5.7	395.7	1.1	396.8	301
Feb 1999	1757.2	0.0	1389.4	9.1	427.7	-9.1	418.6	154
Mar 1999	2460.0	326.8	2302.7	173.1	157.0	153.6	310.6	30
Apr 1999	2446.7	149.9	1551.7	80.7	894.5	69.1	963.6	393
May 1999	3848.2	57.0	2288.4	63.0	1557.6	-6.0	1551.6	600
Jun 1999	2787.2	5.2	2360.0	217.9	427.3	-212.7	214.6	384
Jul 1999	4336.1	5.1	2785.9	48.7	1550.5	-43.6	1506.9	766
Aug 1999	2779.8	30.6	2745.1	32.1	-165.8	-14.9	-180.7	167
Sep 1999	2787.7	0.0	3519.8	0.6	-732.0	-0.6	-732.6	-114
Oct 1999	3286.5	107.8	4025.7	1.1	-739.2	106.7	-632.5	

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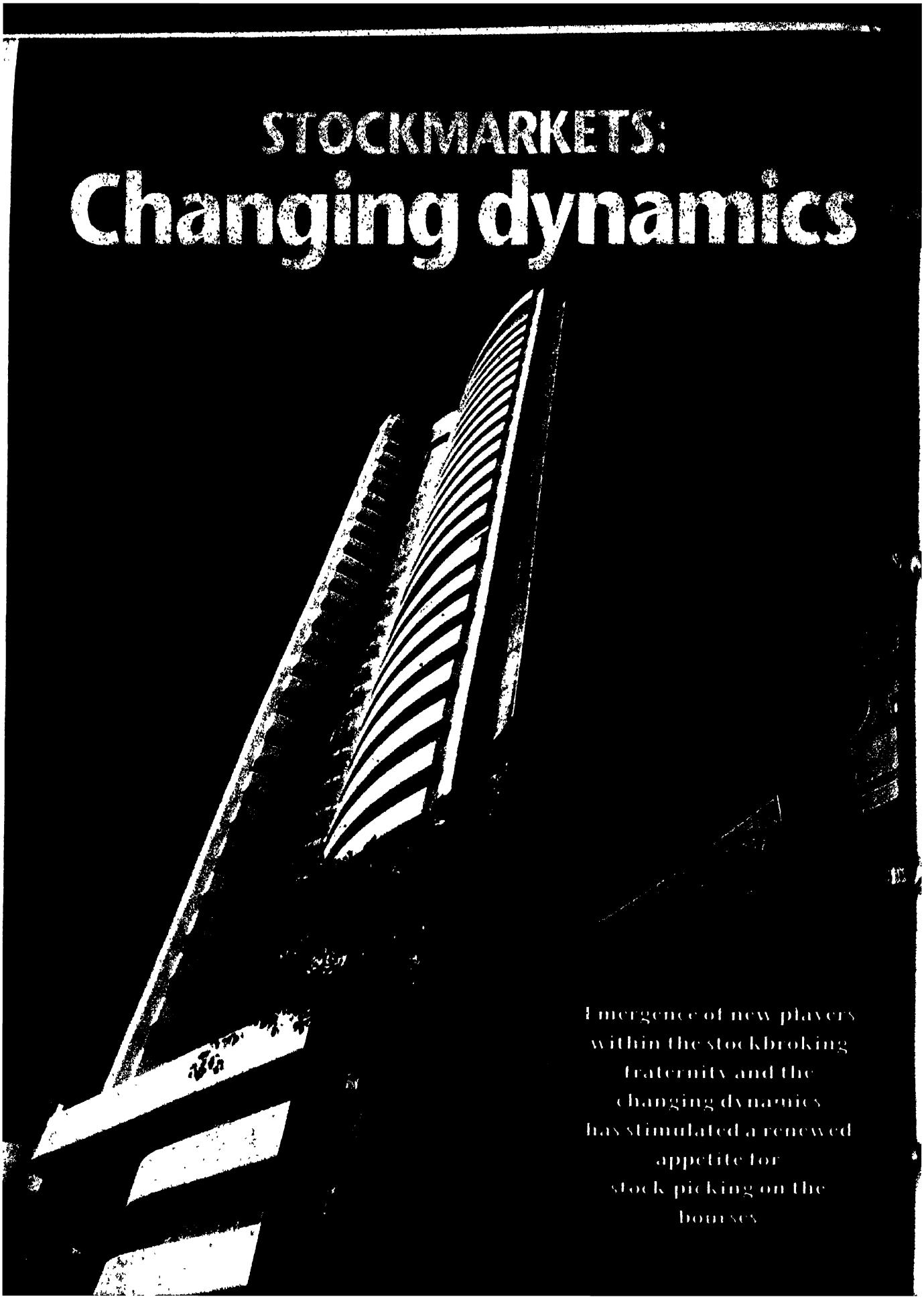
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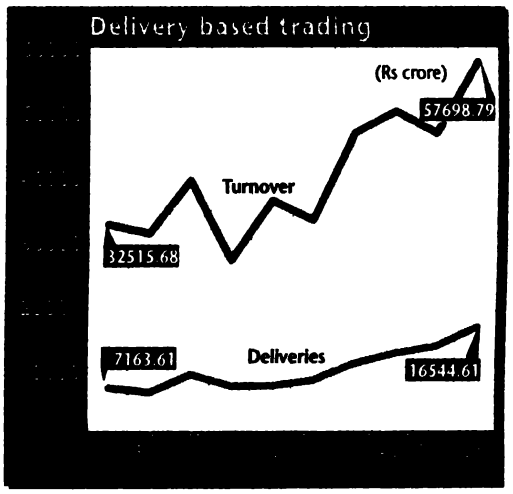
STOCKMARKETS:
Changing dynamics



Emergence of new players within the stockbroking fraternity and the changing dynamics has stimulated a renewed appetite for stock picking on the bourses

The date: 29 October. The time: 9.30 pm. The venue: the Harbour Bar at the Taj in Mumbai. A group of journalists are in conversation with visiting UK fund managers, when two gentlemen enter. Excusing ourselves, we walk up to one of them, whom we identify as Ketan Parekh, the unpretentious, indomitable powerhouse of today on the Indian bourses. After introducing ourselves, we ask him whether we could meet the following day. "Certainly, but only next week, for I will be out of town," he tells us politely. There is nothing flashy or flamboyant about the man; he hardly looks the type who could move the markets. Before bidding goodbye we ask Parekh what he feels about the market, which shed more than 300 points in just two trading sessions. "It looks good and it will fluctuate," he replies, his eyes searching the room for someone he was supposed to have met that evening.

Several years ago J.P. Morgan Sr was asked by a Wall Streeter where he expected the market to be in the near future and he simply said: "It will fluctuate." Though it may be unfair to draw comparisons between the two, the operative word is common. Not many investors can digest fluctuations. The happenings in the latter part of October clearly demonstrated that. After the index sashayed past 5,000 the balloons which were released from atop Jeejeebhoy Towers to commemorate the occasion clearly ran out of argon. Panic gripped the market and most investors and traders went into exit mode. "You can't have one-way movement. Fluctuations are a part and parcel of the stockmarket the world over," says Rakesh Jhunjhunwala, a chartered accountant and big-time Mumbai-based operator. "If you are convinced of a particular corporate story, why should panic get the better of you?" asks Paresh Khandwala, who runs a second-line broking house under the banner of Khandwala Securities.



Be that as it may, while J.P. Morgan has achieved fame and fortune from astute investments, Ketan Parekh (KP as he is popularly known) has demonstrated his virtuosity in the art of telling stories of corporates he perceives are undervalued. And he has a strong fan following. To marketmen, the slightest whiff of KP building up positions in a particular stock sends the scrip spiralling upwards. One of his favourite counters, Zee Telefilms has zoomed from Rs600 last Diwali to Rs4,500 during this year's festival and the story doing the rounds is that he still thinks the stock is undervalued. Another, Ranbaxy, has climbed from Rs200-plus to beyond four digits and is expected rise further. KP's other cherry-picks – Pentafour Software, Global Telesystems, Himachal Futuristic, Maars Software, and Aftek Infosys, to name a few – are well on their way to becoming multi-baggers.

Parekh's growing fan club has got him a bit perturbed. The reason is simple: he detests media exposure and has always preferred to lie low. The fear that detractors of the market movers have been sharpening their knives is one reason, of course. We've all seen the fate of some of the earlier market heroes, most notably Harshad Mehta, who bagged the dubious distinction of being the big bull. This time round there seem to be two distinct differences between the reigning bull and the bull of yesteryear. Marketmen aver that the money at Parekh's disposal is not being diverted from another system as was the case with Harshad Mehta. "It may be money from bureaucrats, politicians, corporate chiefs, bankers, and fund managers. All the same, it is money from these sources which is considered clean," says a Mumbai-based broker. "In over a year he (Parekh) has managed to show phenomenal returns that people are only to willing to lend or allow him to handle their money," says a close business associate. "Ketan borrowed a couple of crores in the initial stages, which he returned much before the loan tenure. By doing so he has built a reputation for himself as a good borrower," says a Mumbai-based industrialist who has been pretty active in the ICD market.

The other factor that differentiates Mehta from Parekh is that, while the former's fan following included *paanwala*s and taxi-drivers, the latter's have been, at least till date, largely restricted to the institutional level and a few privileged associates from the broking fraternity. However, some marketmen believe that, if Parekh's stock-picking successes continue, it is only a matter of time before retail investors jump onto the band-wagon.

Just where has Parekh emerged from? Part of Narbheram Harakhchand, a conservative broking firm specialising largely in *badla* financing for several decades, this third-generation broker, was little known till some years ago. He is said to have been close to Pallav Sheth, a Mumbai-based broker implicated in the securities scam. Today NH securities, as his firm is known, has shed the conservative image and shot to pre-eminence by developing a penchant for risk-taking. Those who know him simply say: "This man's really got guts." The chief of a foreign financial institution who has had business dealings with Parekh says: "His ability to spot value and subsequently convince larger players that the stock is undervalued has made him a successful player."

True. Though Parekh is not the only market mover, he is several laps ahead of the rest. Calcutta-based broker Ajay Kayan, who runs Stewart & Mackertich, is another big operator. He is a shrewd businessman known to be pretty quick at figure-work, though he too shies away from the press. He was one of the foremost players in the stock warehousing business.

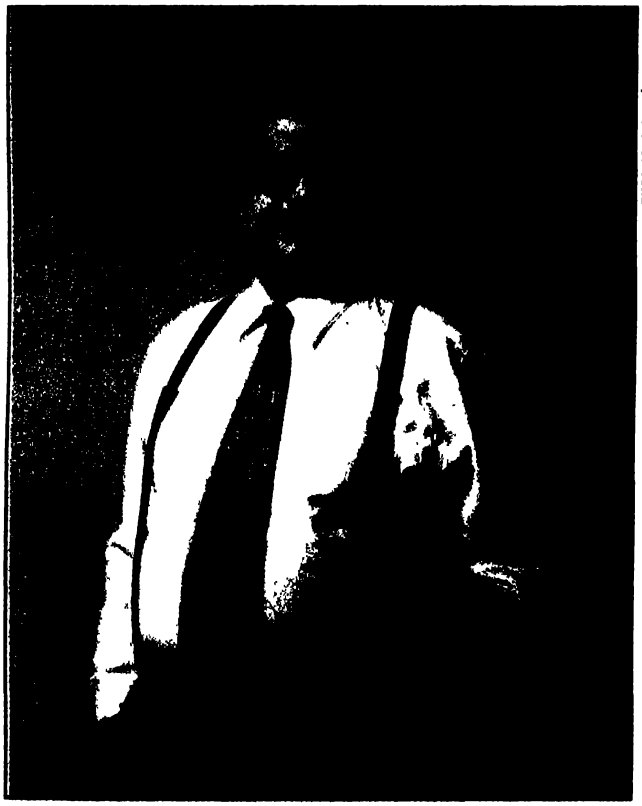
Nemish Shah of Enam Financials prefers to keep a low profile. In the market for about two decades and beginning

with the legendary Manu Manek, he has demonstrated success with turnaround stocks or industries and undervalued scrip. He is known to have even nursed some of the companies he invested in during the bad times and increased his holdings at lower prices with an eye on future receivables once the going gets good. While Shah continues to be closely associated with his first love, equities, his partner Vallabh Bhansali has been concentrating on corporate finance. Together they have built up Enam Financials to stature that puts it right in the Indian bulge bracket.

Jhunjhunwala, a more powerful player, is very forthright and is accessible to the media. He says he is a speculator, trader, and investor all rolled into one. "I breathe stocks day in and day out. It is a passion for me," he says. Khandwala is another large market player who has succeeded relatively in his value-investing exercise.

Though no effort has been made to compare these market movers, each is a very large player in his own right. And their *modi operandi* are none too different. The most preferred one is to first identify a company with sound fundamentals and begin to corner a substantial chunk of its equity. This action begins to attract attention once the buying is overtly done (by simultaneous buying by vested interests) to woo potential investors. With a major chunk of the floating stock all soaked up and a buying interest by marketmen building up, the share price automatically gets moving. With artificial scarcity created and demand picking up by the day, the stock begins to hit newer highs. Most often than not this action is done at the behest of the promoters. However, such action is always looked at by the managements and operators as a short-term measure to make a quick pile. At times it may happen that the operator, having invested in the company thinking that it is a great growth stock, but the price of the stock refuses to rise appreciably, the operators takes the onus on himself to creating this artificial scarcity and thereby pockets the booty.

A slightly different strategy is when the operator works in concert with the promoter of a company which is genuinely trying to change its management practices but whose stock does not appreciate because of poor market perception. In such a case the operator begins to dry up the floating stock, with the help of short-term funding if need be, and simultaneously make presentations to analysts and feed the press with stories about how the management style has been rectified for greater transparency compared to the opacity that obtained earlier. Side by side the company also tom-toms the cost-cutting measures it has adopted and its entry into high-growth areas which, over a period of time, begin to show on the quarterly or half-yearly working results. Once potential investors see the good results and management practices reflected in the workings, the stock is suddenly in great demand. By then the soaking-up operation has created a shortage and the share price begins to hit the upward circuit-breaker.



PALASHRANJAN BHAUMICK

Jhunjhunwala mirrors his passion for stocks

While these two methods have been used to whip up interest in a number of scrips, the most recent one (and rampant at that) is to get the institutional investor first hooked on to the stock and then let the bullish sentiment percolate down to the retail or small investor. A lot of companies are deploying this strategy, particularly in the information technology area or those involved in intellectual capital inputs. Typically, it begins with the lead operator (early bird) zeroing in on a particular counter; the accumulation process gathers momentum; he satiates his appetite and then encourages his close associates to join the party, who in turn pass on the information to their respective clientlele consisting of high-net-worth individuals.

The next step is hardsell in the form of presentations to large institutional investors and broking houses. All this is done with a long-term interest rather than with the intention of palming off the holdings. Once these large players get sold on a particular corporate story they either begin picking up from the market, which could be a very expensive proposition since the volumes involved are large, or striking an offmarket deal with large holders or warehousing pros (the most preferred route). The stock automatically gains momentum as mutual funds eager to shore up their net asset values (NAVs) hitch a ride on a northward-bound vehicle.

However, the operation does not end here. From the institutional level the story has to reach the retail investor, who actually becomes a major driver of the stock price now that the bulk of the floating stock is already in the hands of a clutch of players. Here the financial media are roped in to write about particular counters and the potential the big players perceive.

DIWALI BONANZA — SPARKLERS AND ROCKETS
YEAR ON YEAR GROWTH

ABB Ltd.	393.00	6.51	517.75	5.20	-24.09
ACC Ltd.	203.00	442.08	74.00	23.59	174.32
Aptech Ltd.	1,163.00	33.91	482.50	0.40	141.04
Arvind Mills	24.45	55.60	29.90	17.95	-18.23
Ashok Leyland	109.05	34.85	23.95	9.20	355.32
Asian Paints	412.30	27.60	272.00	1.00	51.58
Bajaj Auto	433.00	85.51	594.00	31.60	-27.10
Ballarpur Inds.	67.00	34.10	19.20	1.50	248.96
Bank of Baroda	71.40	26.97	55.00	82.60	29.82
Bank of India	21.00	83.22	23.20	11.70	-9.48
Bata India	140.00	35.49	236.50	5.85	-40.80
BFL Software	699.00	3.70	529.25	1.50	32.07
Bharat Heavy	272.60	69.64	233.00	228.70	17.00
Bharat Petro	312.00	5.20	261.50	23.60	19.31
BPL Ltd.	340.00	122.49	128.00	21.50	165.63
Britannia Inds.	816.00	3.30	457.00	0.50	78.56
BSES Ltd.	164.50	130.77	153.00	31.05	7.52
Cadburys India	777.00	2.70	352.75	4.05	120.27
Carrier Aircon	124.00	29.00	217.50	2.60	-42.99
Century Textiles	51.30	74.95	32.50	15.05	57.85
Cipla Ltd.	1,310.00	27.22	321.00	0.20	308.10
Cochin Refinery	137.60	19.27	146.00	12.80	-5.75
Colgate Palmolive	241.70	157.87	172.00	13.70	40.52
Castrol India	3750	41.73	318.00	71.85	17.92
Crompton Greaves	51.00	47.68	57.70	41.45	-11.61
Cummins India	568.40	12.15	310.00	4.25	83.35
Dabur India	970.00	2.85	316.00	9.10	206.96
Dr. Reddy's	1,089.00	57.12	469.25	35.10	132.07
E. Merck	700.00	2.15	317.50	9.70	120.47
EIH Ltd.	209.00	1.89	218.30	3.70	-4.26
Escorts Ltd.	160.00	17.28	74.00	1.60	116.22
Essel Packaging	515.00	3.41	176.00	14.85	192.61
Exide Inds.	228.40	0.90	140.20	3.00	62.91
G.E. Shippings	21.80	399.86	19.00	100.6	14.74
Glaxo India	729.00	24.87	465.50	9.16	56.61
Grasim Inds.	459.00	48.71	140.20	21.45	227.39
Gujarat Ambuja	574.00	28.19	184.50	13.80	211.11
Gujarat State Fert.	47.50	19.45	57.00	1.20	-16.67
HCL Infosys	458.50	156.56	224.70	189.60	104.05
HDFC Bank	95.00	22.98	56.00	21.10	69.64
HDFC Ltd.	255.00	59.85	233.00	4.60	9.44
Hero Honda	1,251.00	3.99	601.75	6.70	107.89
Hind Lever Chem	508.65	6.35	360.75	0.75	41.00
Hindalco Inds.	755.00	9.33	529.00	24.80	42.72
Hindustan Lever	2,415.00	14.15	1,707.00	60.67	41.48
Hindustan Petro	168.00	62.20	180.00	55.30	-6.67
Hoechst Marion	715.00	0.40	348.25	0.25	105.31
ICI India	198.30	18.80	199.00	0.05	-0.35
ICICI Ltd.	81.50	37.57	42.70	178.25	90.87
IDBI Ltd.	37.30	32.82	39.00	15.90	-4.36
Indian Hotels	371.75	5.25	395.00	2.60	-5.89
Indian Rayon	72.50	10.13	43.00	2.85	68.60
Indo Gulf Corpn.	76.25	138.33	29.00	2.60	162.93
Infosys	8,086.00	33.79	1,103.00	10.20	633.09
Ingersoil Rand	474.50	0.95	432.50	1.20	9.71
IPCL	117.80	335.59	50.75	7.80	132.12
ITC Ltd.	736.00	193.54	689.00	584.00	6.82
Knoll Pharma	580.00	4.25	420.75	0.50	37.85
Larsen & Toubro	420.00	415.57	150.00	135.60	180.00
Madras Cements	7,300.00	0.20	4,256.00	0.03	71.52
M & M	358.00	33.22	160.00	26.30	123.75
MRPL	18.00	17.27	13.00	4.20	38.46
MTNL	180.00	700.13	184.00	277.60	-2.17
Nagarjuna Fert	15.75	48.50	14.10	16.50	11.70
National Aluminium	16.50	0.61	20.70	5.50	-20.29
Nestle India	525.00	14.16	416.00	25.10	26.20
Nicholas Piramal	557.60	4.30	294.40	4.25	89.40
NIIT Ltd.	2,462.00	46.24	921.00	13.80	167.32
Novartis	1,178.00	1.38	680.00	5.75	73.24
Pentafour Software	717.00	1,240.69	335.00	153.30	114.03
Pfizer Ltd.	1,085.00	1.07	681.00	0.95	59.32
Philips Ltd.	94.00	50.50	152.50	10.70	-38.36
Procter & Gamble	934.00	1.61	765.00	0.15	22.09
Punjab Tractors	1,076.00	1.65	761.00	2.25	41.39
Ranbaxy Labs.	962.00	501.61	288.50	9.45	233.45
Raymonds Ltd.	76.00	201.15	54.50	448.75	39.45
Reckitt & Colman	384.00	3.70	329.25	2.70	16.63
Reliance Industries	235.50	2,059.71	105.80	1,094.20	122.59
Reliance Petroleum	57.50	2,341.14	18.25	24.80	215.07
Satyam Computers	1,539.00	485.05	286.50	798.80	437.17
Siemens	437.30	155.55	191.86	3.25	127.93
Smithkline Consumer	642.00	0.51	481.50	0.50	33.33
Smithkline Pharma	319.55	5.90	377.25	5.25	-15.29
State Bank	238.00	528.89	157.50	734.45	51.11
Steel Authority	12.30	211.34	5.10	142.90	141.18
Sterlite Inds	376.25	138.25	160.50	78.90	134.42
Tata Chem.	58.25	79.84	80.95	38.62	-28.04
Tata Engg.	233.50	290.9	99.20	873.05	135.38
Tata Infotech	543.50	12.70	1,020.00	0.65	-46.72
Tata Power	71.60	34.76	84.00	1.95	-14.76
Tata Steel	144.00	422.4	75.50	262.65	90.73
Tata Tea	560.00	153.77	260.00	160.60	115.38
Thermax	180.00	5.08	132.00	5.60	36.36
Titan Inds.	103.70	4.50	51.00	2.00	103.33
TVS Suzuki	723.00	8.53	550.00	4.10	31.45
Videocon Intl.	62.75	219.8	36.70	58.70	70.98
Voltas	64.60	54.05	62.10	33.55	4.03
VSNL	1,457.00	1.36	735.00	5.20	98.23
Wipro	1,230.00	22.07	416.00	0.80	195.67
Wockhardt	623.60	28.40	267.00	15.20	133.56
Zee Telefilms	4,506.00	109.53	604.00	239.90	646.03
Average Return					87.15



PALASHRANJAN BHAUMICK

Khandwala relies on management credibility

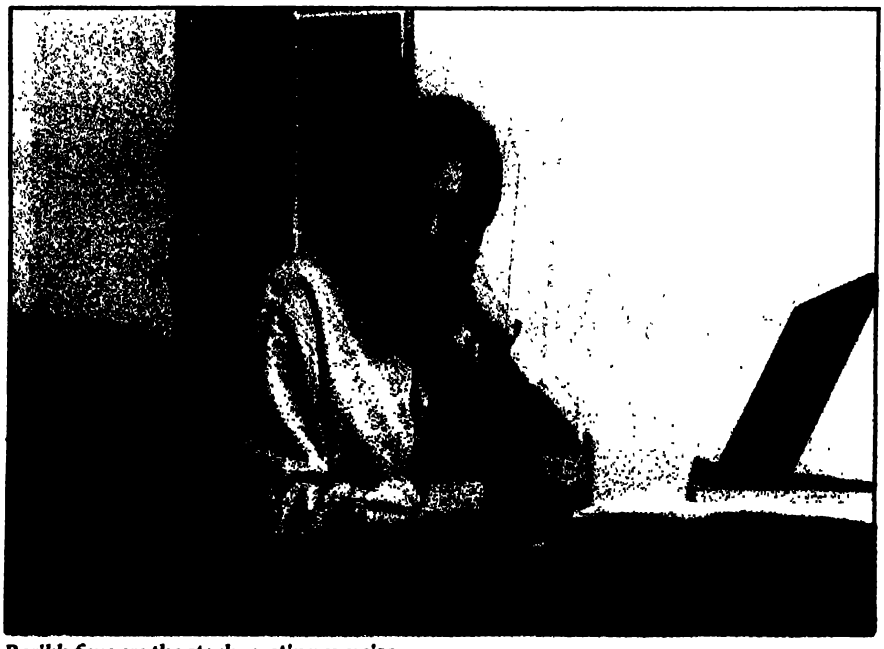
Assaulted by a spate of reports on a particular company in the financial dailies and magazines, the lay investor is led to participate in the rally. With so much demand created for the scrip, the upward climb is eventually sustained for a while. Invariably, at this juncture, there comes a downward reaction for a couple of days and the ordinary investor alights in sheer panic. Once again the operators enter at lower levels and the exercise goes on. This strategy has been adopted with stock such as Ranbaxy and Global Telesystems.

But remember, the presentations have not been the vanilla type; their focused line makes them extremely convincing. The backbone of the presentations is basically a rerating exercise arising out of different restructuring processes adopted by the management's of companies. A typical example was in the case of Zee Telefilms, where till about 18 months ago the stock was in the Rs250 range. Parekh thought the stock was grossly undervalued considering the growth in the topline and bottomline. But since there was no entertainment and media stock against which to draw a comparison, somebody had to set a benchmark. It is believed that Parekh was instrumental in doing this and the subsequent action on the part of the management to reorganise its business, set the stock ablaze. It is said that Parekh could not have been able to sustain the storytelling exercise without the help of one of the relatively new private sector banks in funding him together with the fact that a substantial portion (believed to be up to 85 per cent including the promoter holding) of its capital was soaked up from the secondary market.

With too many buyers sold out on the Zee story and the floating volumes minuscule, the stock is now quoted in the vicinity of Rs5,000. The price rise has been backed by constant rerating on the performance and the business prospects front. Even now the theory doing the rounds is that, with the massive explosion expected in the Internet user base, Zee's reach through its transmission network via cables can swing a substantial user base in its favour. This could propel the share price even higher. The Zee rerating has also brushed off onto second-rung companies such as Sri Adhikari Brothers. Tushar Shah of KBS Capital Management, a Mumbai-based broking house readying to get into e-broking, says: "In the more transparent and researched market the policies that company managements adopt have begun to occupy more weightage in the rating process."

Today a number of institutional players and research analysts are paying more attention to the quality of management and its ability to adapt to changes and cope with the trying times. Khandwala (quoted earlier), who has almost three decades of experience in the markets, says the "last seven years have truly shown us the capability of various promoters. So, in picking a stock, there is a clear demarcation on the company's management credibility. For the first time particular sectors and scrips within them are moving in a matured manner."

Unlike the Harshad Mehta boom, when whatever he was rumoured to be associated with went through the roof, this time round the market movers have picked up well-known companies



PALASHRANJAN BHAUMICK

Parikh favours the stock rerating exercise

and spun their stories around them. For instance, domestic Digital Equipment scrip has been selling on the back of a strong MNC parentage, which has seen the stock jump from Rs150 at the beginning of the year to over Rs700. However, Parag Parikh of Parag Parikh Financial Services is in favour of the rerating exercise. He cautions against those companies which talk of having rerated themselves without any substantial change. "I have seen companies that are being rerated but truly their businesses has not changed from what they were last year. How can you expect higher valuations?" he asks.

While most of the rerating in the past year or so has revolved around the great business prospects of companies which are into software or have a large inputs of intellectual capital, some has occurred as a result of a business rejig or value unlocked or cost-cutting mechanisms deployed or capital restructuring. The coming years will see a lot of stories of this kind. The first half of the 1990s saw not a little unrelated diversification and setting-up of standalone capacity which had no future (the concept of minimum economic size is redundant in a globalised environment). Now most of these very corporates have realised their folly and are adopting corrective measures with help from financial institutions. Some have changed their economics of business so as to grow or generate higher returns in a stagnant environment. "The rerating of a scrip really comes from looking at the return on capital and shareholder value besides EVA and the cash earnings per share," says Shah. And that's what today's market operators are paying attention to in stock identification.

A report on corporate restructuring brought out by ASK Raymond James categorises stories of restructuring into five different types — ITW Signode, RCF, and Whirlpool have restructured business processes to improve returns; Dabur, McDowell, and Tube Investments have restructured to improve operational costs and transparency; Tata Telecom has changed its business portfolio; JB Chemicals and Godrej Soaps have realised that their assets may be worth more in others' hands; and Leading Edge and Birla Global have restructured equity for greater shareholder returns. These companies have all begun to see value.

Unlocking value

The story of unlocking value has also begun gathering momentum. Here a good illustration is the case of engineering giant L&T. Its information technology division was overshadowed by the company's primary area of business. Its IT business was valued at Rs400-plus crore and a spinoff combined with the potential of listing on Nasdaq could do wonders for its shareholders. Similarly, Blue Star has been wanting to hive off its IT business. The matter has dragged on for quite a while, but once it is settled valuations are bound to vault. However, the ASKRJ report warns investors that what many companies mean by 'restructure' is simply to split the business, without any change in its economics. It cites the case of Escorts, which "claims to be restructuring for the last five years. This has translated into the divisions being shifted to a subsidiary.... However, the business dynamics of Escotel, its subsidiary involved in telecom, have changed significantly over the past year. As a result the cash flow situation of the company will improve...thus raising valuations. We do not recognise this as restructuring gains."

In the whole rerating exercise one more factor has emerged and, if properly used, could go a long way towards improving the health of the capital market. Earlier, several corporates that wanted to improve their businesses and operational efficiencies used to get stuck for want of cash. For example, if a company wanted to acquire a facility in a similar line of business which would enhance the overall company's performance, it had to resort to high-cost borrowings and, in addition, dip into internal accruals. Today a good manager has the option to use the company's equity to pay for the acquisition. "Recently Grasim decided to use its equity to acquire the cement facility of Indian Rayon in lieu of cash. Subhash Chandra bought out Rupert Murdoch's stake in Asia Today, Patco, and Siticable for part cash and a 7.5 per cent stake in Zee Telefilms. Using equity instead of cash will become a growing phenomenon in India as in the rest of the world," says Ashwin Kedia, who runs a broking outfit in Mumbai.



UMESH GOSWAMI

Shah readying to get into e-broking

Besides the rerating exercise, which has taken a new turn on the Indian bourses, there has been a subtle change in the composition of players who are responsible for setting the price trend. Unlike in the past, when the mere entry of FIIs as shareholders would drive the share price to dizzy heights, this time domestic players are dictating and

setting the prices in a number of counters. Pentafour, Zee, Aftek, and Visualsoft are classic examples. Clearly, the market movers have beaten the FIIs at identifying value. While some say these players have seen value in stocks that the FIIs and mutual fund chiefs could not, others aver that the frontrunning exercise which is conducted prior to marketing a particular counter, the other institutional players, especially the FIIs are at a disadvantage. While the FIIs have a limitation on their extent of accumulation (in terms of FII permissible limit), the domestic players



FAISAL RAYAN BHAT/MID-DAY

Nemish concentrates on equities

do not have any such restrictions and can lap up the net floating stock or close to whatever is floating in the market.

Again, although under the takeover code, there exist certain threshold limits for individual or their outfits to buy into a stock, the more ingenious operators have ways and means of routing the trades through a clutch of brokers. "In order to circumvent the trigger they route the transactions using a network of four-five brokers and have a dozen *avtaars* to hold the investments," complains a leading FII chief.

While the Indian stockmarket has experienced successful rerating of several companies, other parallel changes that have come about are the emergence of mutual funds as a strong institutional presence. With sentiment towards the mutual funds improving to a great extent, a lot of money has been flowing to this avenue. There's no doubt that there is tremendous liquidity in the system and, with the Indian markets getting more and more institutionalised, smaller equity investors would be much better off routing their resources through mutual funds. The potential, as Sebi chief D.R. Mehta once estimated, is upwards of Rs40,000 crore to the mutual fund industry. As at end-September, according to the Association of Mutual Funds, a good Rs85,500 crore is already managed by AMCs in India. Industry sources say that even if half the estimated amount comes in, the markets could get a further boost.

Dematerialisation of shares

The other important factor that has come as a boon to the Indian stockmarket is the dematerialisation of shares. Doing away with physical trading eliminates the risk of bad deliveries arising out of mismatch in signatures or fake/forged shares. Momentum has picked up substantially and the number of companies in demat mode as at end-October has risen to 526, which should almost double by the middle of next year. Demat trading has increased the comfort levels of many an FII, not to mention the domestic investor. Moreover, the system has pushed up turnover levels substantially. Earlier a bad delivery meant that the funds of the transacting parties were blocked till the issue was resolved. This, according to Khandwala, ate into their working capital requirements.

Moreover, an investor can now buy even one share of a much-sought-after blue-chip company, whereas he previously had to by the smallest marketable lot. To bring high-priced shares within the reach of small investors, some companies have decided to split their face values. For instance, Wipro has split its Rs10 face value to Rs2. Though some view this strategy as a gimmick to make the shares affordable and thereby broadbase the equity cult, in reality the process saw the share price double post-split from Rs5,000 (face value Rs 10) to Rs600 (face value Rs2). Zee Tele too has decided to reduce its face value to Re1 from the earlier Rs10 per share.

All these factors augur well for the Indian stockmarket. India Inc, according to the Centre for Monitoring Indian Economy, has recorded almost 18 per cent topline and 8 per cent bottomline growth in the first half of the current year. The manufacturing sector has been a major contributor to the growth rate. Going by the current trend, the year to March 2000 should be one of considerable cheer for the market. The coming weeks should see a lot of buying by large investors, especially the frontrunners, who will be building up positions to take advantage of the fresh allocations made for FII buying. It seems all systems go for the Indian market. As Jhunjhunwala puts it: "The stockmarket is like having sex; you need liquidity and participation and it all seems to be right there. In essence, it has the right chemistry."

As for the captains of corporate India, those that have set their house in order by consolidating their positions and shedding off unwanted baggage are the ones who will attract investor attention. These are they who have realised that the way to make more money is not to siphon it off from the company but to put in a better and more transparent performance, which will periodically get reflected in the valuations of the company's stock.

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Rebuilding Orissa, devastated by the recent cyclone, will be no mean task

If all of Orissa is not to become like its infamous corner, Kalahandi, now is the time to act. Nature turned her wrath on Orissa, devastating its agriculturally prosperous coastal belt with high winds and a surging tidal wave of sea water. The massive flash flood that followed the 700 mm rain drowned whatever the other two had not destroyed. While the government is willing to admit that at least 10,000 died in the catastrophe, others put the figure at a massive 25,000. But for the 15 million people who survived, hell on earth has just begun.

And the trouble begins among us mortals. Even though the state government's communications infrastructure was badly hit, it refused to make way for private initiative. Andhra Pradesh Chief Minister Chandrababu Naidu flew in 10 amateur ham radio operators from the Rajiv Gandhi Foundation-funded National Institute of Amateur Radio. Five Calcutta hams were also flown into Bhubaneswar to help out. Now there are 10 ham radio centres operating in all the major disaster zones, including two clearing houses at the chief minister's house and at Navin Patnaik's house. Andhra Pradesh has used ham radio operators as an integral part of its disaster management plan as do most other countries in the world. Unfortunately, there is only one ham operator resident in Sambalpur in Orissa.

Amateur Radio Control's Calcutta member Indranil Majumdar says that ham radio managed to be the first to restore some semblance of communications to the affected areas. However, support for their efforts was often too slow. For example, CESC, ITC, Coca Cola, Pepsi and Bisleri were unable to respond in time to help equip the ham radio teams. Only Britannia pitched in with dry supplies of biscuits and cake for the teams to eat at the site. "We need safe water, food and rechargeable batteries to operate, that's all," says Majumdar.

"The biggest tasks at hand need to begin now," says Orissa special secretary (finance) Upendranath Behera, who has been given the responsibility of preparing the state's rehabilitation plan.

The response at the moment is still mostly on paper and the first meeting of the state-level bankers' committee is expected to meet in Calcutta on 18 November. The meeting has been shifted to Calcutta as Bhubaneswar is unable to host any visitors at the moment.

The biggest and the most perilous challenge is conservancy. Most livestock, almost a lakh of cows drowned in the cyclone — their carcasses still lie rotting in knee-deep water. Trapped among them are the thousands of corpses and millions of survivors. According to an eyewitness, a weak and ineffectual response to this problem has been to splatter the carcass or body with scarce kerosene and set it alight. The result — half-burnt corpses rotting in the sun. Despite the presence of several voluntary agencies, the Ananda Margis, say hardened eye witnesses from Kendrapara, are pitching in with the disposal of bodies and carcasses.

The second urgent need is water. All surface sources have been contaminated either by salt water or flood water or, worse still, by carcasses and corpses. Usually these are the lowest points in the area and as the floods have receded, the main water sources are piled up with the dead.

Underground sources are for the moment safe. While most tube wells were submerged, they are emerging

relatively unscathed by Nature's latest attack. However, since the water table is available close to the surface in this coastal zone, the tube wells are very shallow. Now, with the dead piling up on top, there is a long-term fear that the aquifer itself will become contaminated unless urgent measures are taken.

Foodstocks in the affected areas also need to be rebuilt on a priority basis. Since the entire area – a swathe 100 km deep and 300 km long – was inundated, food stocks in the area have been destroyed. Refugees say the army has bulldozed, hacked or punted its way along the main roads. The internal areas and the shoreline have only begun to open up. While the army and NGOs have put up soup kitchens in many areas, state government seems to have absolutely no grip on the situation. Village-level administration has disappeared and all food stocks have been either destroyed, looted or stashed away underground.



Transport links in the state have been severely disrupted

And for victims who have managed to lay their hands on the packets of rice and *dal* handed out as aid, the hunger pangs have far from ended. In many areas where the flood waters have washed away houses, the cyclone victims do not have utensils and dry kindling to cook the rice and *dal*.

The coastal belt of Orissa has a dry balmy climate, especially in winter, and the need to build housing may not be as not pressing as the need to make food available. However, with the stock of housing severely damaged, Hudco has come forward with a proposal to build 75,000 houses and four model villages. Allahabad Bank wants to offer soft housing loans to government officials and bank employees.

Kalahandi stares Orissa in the face. For long, this deprived tribal district has been the step-child of Indian development even as coastal Orissa took great strides. But now the economy of the once-prosperous coastal area has completely collapsed. Take, for example, fishing. Orissa produces about 3 million tonnes of fish valued at about Rs700 crore. With almost all fishing boats destroyed, many fisherfolk killed, and with the shrimp and coastal fish farms destroyed, there will be a large army of unemployed in this region. The coastal area also produces the state's food. Orissa produces about 14 million tonnes of rice, most which would have been harvested from 15 November. These were mostly the long-stemmed traditional variety. Of the 2.5 million hectares of rice crop, only 7 lakh hectares grow the high-yield varieties. The entire standing crop has been destroyed. The Orissa government has estimated the loss in paddy at Rs1,700 crore.

For most marginal farmers, this crop would form the food stock for the year. Now, with limited scope for a second rabi crop, starvation stalks the land. Besides, the debris of fermenting paddy pollutes the farmland. The questions which hover over the winter crop are many. Who will clear the land? Where will the seeds and fertiliser come from? And who will repair the waterlogged pump sets?

Other than agriculture, the only other major industry in the area has been tourism. There are 608 hotels with 11,000 beds to cater to the 1.38 million tourists. Most of these are not high-paying tourists since there are only 28,000 foreign tourists to the state. According to the Orissa tourism department, almost all hotels have been damaged. There are reports that the hotels near Bhadrak have been completely destroyed. Other hotels, including those in beach towns like Puri, Konarak and Bhubaneswar, will need at least a couple of months to get back into some shape.

An executive from Calcutta who took shelter in a hotel in Bhubaneswar says that the plate glass window shattered while he cowered under the bed; the winds were so strong that the television toppled over. "After the cyclone, the hotel management fed us *dal*, rice and eggs and charged us Rs170 for each meal," he says. Others holidaying in Puri say the high-velocity winds forced open the doors to their rooms, destroying everything inside.

The main tourist season starts in October and ends by March. The hotel industry, one of the major contributors to the state's revenue, is likely to suffer a big blow. Also, many staff at these hotels come from the affected areas and the industry is likely to be hit by labour shortages as well.

Handloom weaving forms about 3.5 per cent of the state's domestic product. One of the main lines of produce are the *Katki* and *Bomkai* lines from the area. With the growing popularity amongst the country's urban elite for Orissa's silks almost comparable with south India's *Kanjeevarams*, the weavers have been hard hit. Before the disaster, there was also a booming sandstone carving and sculpture industry in the area. The cash crops of the area, coconuts and cashew, have also been wiped out. "We desperately need to re-green the area if we are to avoid catastrophic summers," Behera says. Denuding of the coastal forests by increasing settlement allowed the wind and tidal waves to come further inland than before.

The only way to save the state will be to start a massive year-long public works programme to rebuild the infrastructure of the state. The issue here is that the effort has to be to pay daily wages to the newly unemployed and starving agricultural labour of the area. The state has 5,500 km of roads and 2,364 km of railways, much of which has been severely damaged.

Orissa's only port at Paradip, which handles 22 million tonnes of cargo



Disposing of the dead is proving to be a difficult task

annually and is the sixth largest port in the country, is a shadow of its former bustling self. Of its total cargo handling, petroleum oil and lubricants account for the largest share at 7 million tonnes. Both Indian Oil and Bharat Petroleum have major facilities at the port which managed to survive the deluge.

Of the berths at Paradip, Tisco's cargo berth handling 1.5 million tonnes of iron ore and chrome annually was severely damaged. Though con-crete structures in the port area were intact, authorities estimate an outlay of near Rs.30 crore to restore the damaged cargo handling facilities. What has also affected the port badly is the total power failure since the last fortnight, making it impossible to run cargo handling equipment. Port authorities, however, are running generators to maintain basic non-port infrastrucuture.

The power failure has hit the industrial units in the region, including refractory maker Orissa Industries, a small unit of Ballarpur Paper, a caustic soda unit of the Bangurs and a few fishery units. There are reports that a 2 million tpa DAP fertiliser plant of the Oswals at Paradip, scheduled to have been commissioned in December, has been badly hit.

With less than 100 industrial units with annual sales of over Rs2 crore (although there are about 45,000 registered manufacturing units in the state), industry in the state has been spared. Industry in Orissa developed mainly inland apart from the belt around Paradip. Between the ancient city of Cuttack and Paradip, Paradip Phosphates – a sick company with sales of Rs 529 crore – is the only large industrial unit, apart from a handful of medium and small scale ancillary units in the area. Paradip Phosphates' ammonia vessel has reportedly been damaged with poisonous gas seeping into the air. As Paradip is a site for fresh industrial activity, there is a question mark over the fate of the proposed units. Oswal Chemicals is setting up a Rs2,000-crore project next to the port, while Indian Oil plans a 12 million-tonne refinery with foreign collaboration.

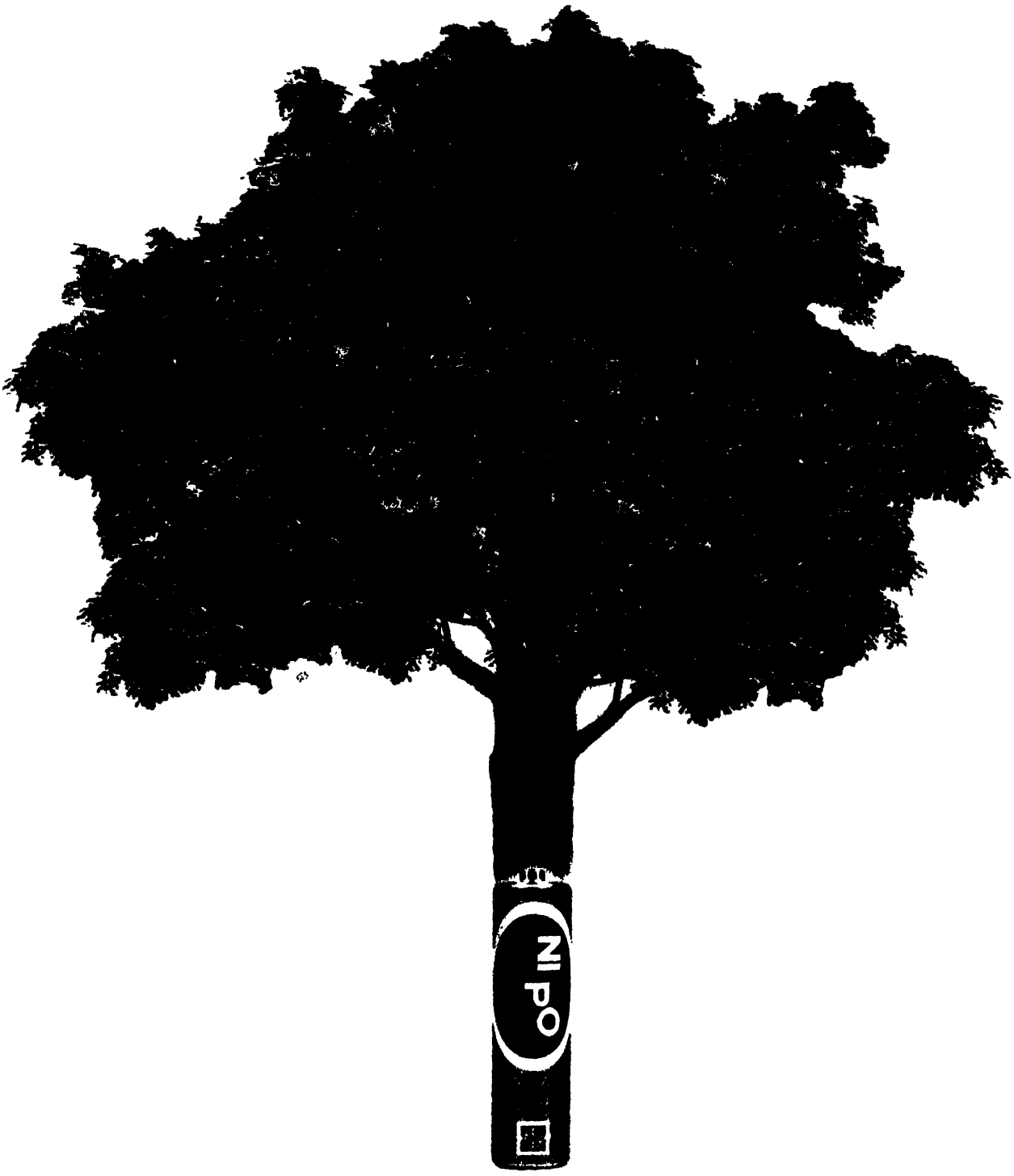
Problems at Paradip port, though temporary, is likely to impact the Tamil Nadu State Electricity Board, as it is the main recipient of the coal. Paradip normally handles four rakes of coal equivalent to 16,000 tonnes a day. The coal is loaded onto ships to reach Tuticorin or Ennore in Tamil Nadu. "Since the cyclone, the coal traffic has been diverted to other ports," says R.R Menon, CIL's general manager (marketing). According to him, Vizag is taking in more than half of Paradip's coal in addition to its own two rakes, while the rest is going to Haldia in coastal West Bengal. "This would cost the Tamil Nadu SEB extra, but there is little we can do," adds Menon.

While an overall picture is slowly emerging now post-disaster, there is as yet no accurate assessment of the economic losses caused by the cyclone. But with disrupted power transmission and distribution lines halting irrigation and closing industrial units, the state's agricultural and industrial production is expected to fall, and that too steeply.

Restoring power is obviously high on the agenda, and according to a senior official of the National Thermal Power Corporation (NTPC) – which supplies 410 MW of power to the Orissa grid via the superthermal power station at Talcher – the Orissa grid is unable to absorb the supply. Restoration work on transmission lines has begun in right earnest to feed power and most of Orissa is on its way to having full power. However, restoration work in Paradip will start only after 15 November. Gridco, the state transmission and distribution agency, wheels a peak requirement of 1,800 MW a day. The affected areas consume 60 per cent of the state's electricity, which is distributed by the US- based AES Corporation. AES CEO Dennis Bakke estimates that it will take $60 million just to repair the grid in Bhubaneswar, Puri, Cuttack and Paradip. AES paid $10 million for the power distribution, rued Bakke. " We have not faced anything like this anywhere else in the world," he says.

The severity of the cyclone has taken even the most hardened NGO workers by surprise. "We have never seen anything like this," says Chandrika Mohapatra of Bijoya, an NGO in Bhubaneswar. Evidently, the same would go for the Orissa government, which is still reeling from the trauma. International agencies, NGOs and other voluntary groups, which descended on Orissa for relief work, have found themselves having to work literally in the dark. Says Dipankar Dasgupta, a veteran in the NGO sector, who accompanied a recent medical team to Ganjam district which borders Andhra Pradesh, "The biggest challenge is to ensure not only that supplies reach the critically ill or injured but also that there is no overlapping. The essence of disaster management hinges on effective coordination at the district administration level, which decides who should work where and where supplies should be directed for an equitable distribution of relief material." But the Orissa government had no disaster management blueprint.

People from relief camps say that except from the army, which has done superhuman work in terms of providing succour and the basic essentials as well, there has been absolutely no provision for tackling a disaster of this magnitude. "There is not a single cyclone shelter – a must for any disaster management programme – down the Orissa coast," says Rini Bhattacharya,



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an NGO worker based in Calcutta. With international aid always available, state governments have ignored developing a practical and proactive disaster management plan.

Considering that India has a long coastal line of 5,700 km exposed to the hazards of tropical cyclones arising in the Bay of Bengal and the Arabian Sea, where three out of six tropical cyclones have been found to impact India, there is little evidence in the east coast (which is more prone to such disasters) of disaster management plans. Statistics show that in the last 100 years, 408 storms crossed the Bay of Bengal and 56 cyclones crossed the coast of Andhra Pradesh in eight coastal districts.

The 1977 Andhra cyclone killed 20,000 and left thousands homeless. Andhra Pradesh is one of the few states in the country to take disaster management seriously. Since 1977, Andhra has built several cyclone shelters, and makes sure that its early warning systems are always on full alert. It has also made provisions for safer housing which would not collapse under high-speed winds and tidal waves. In 1991, government officials in Andhra Pradesh were able to implement a previously planned programme to evacuate 6 lakh people from the path of an approaching cyclone within 52 hours. Fatalities numbered less than 2,000, one tenth that of the 1977 cyclone.

Disaster management in the form of the Famine Commission dates back to 1878 following a series of droughts in the country. After Independence, the agriculture ministry's relief division was upgraded to deal with all kinds of natural calamities. The National Centre for Diaster Management (NCDM) was set up by the Indian Institute of Public Administration as a resource centre and training facility for natural disaster management in India.

Despite government efforts towards disaster management programmes, the Orissa cyclone has effectively proved that implementation is more important than having plans on paper.

Much of the plans set out for disaster management – such as satellite surveillance and radio-based warning systems – have remained just so many pieces of paper. In Orissa too, despite warnings several days earlier about the cyclonic storm heading towards the eastern coasts, there were no advance plans for large-scale evacuation, stockpiling of essential items like food or medicines and blankets, or provisions for safe drinking water. All this points to the urgent need for a working disaster management plan.

The state governments stuck their heads into the sand and hoped that it would hit elsewhere. Unfortunately for the Orissa government, it was their state's number this time, but the disaster could well have been repeated in West Bengal.



Victims are moving out of the affected areas in large numbers

In contrast to West Bengal or Orissa, both prone to natural disasters and which prefer to rely chiefly on luck, years of natural disasters, mainly cyclonic storms, have impelled Bangladesh to install an advanced disaster management system. Bangladesh has a number of well-funded NGOs to make sure that an effective disaster management plan is in place. These work on a two-pronged basis. One involves disaster preparedness, which includes creating awareness at the grassroots level, adoption of warning systems, and training of 5 per cent of the population to cope with disasters. Mock drills are carried out regularly at Chittagong and Cox's Bazar.

The other aspect involves preparing for disaster relief; stockpiling of essentials and relief items at key points and government and NGO warehousing facilities. The warehouses are kept stocked round the year. Thirdly, say members of NGOs operating in Bangladesh, the emphasis on evacuation is high. The NGOs have been experimenting with cyclone shelter designs.

The Orissa government had provided for few of these contingency measures. Stockpiling was ineffective since the Food Corporation godowns were inundated first by floods and then fell prey to looters. In many areas, the 16,000-odd schools were the only source of shelter.

The immediate need is for hard cash. The Orissa government has put in a demand for Rs2,000 crore, while the PMO has sanctioned Rs1,000 crore for relief operations to be spread over the entire plan period.

Andhra Pradesh has pitched in with maximum relief material said to be worth at least Rs300 crore. The contribution of international agencies is estimated at around $4 million, and there is more aid coming. These include Nobel Prize winners like Medecins sans Frontiers who have come in with a team of 50 doctors and their own plane.

The banks will give Rs300 crore for reconstruction, while another Rs500 crore will be funnelled through the cooperative and land banks as agricultural credit for the rabi season. Existing debt will be rescheduled and new payment terms re-phased, says Uco Bank chairman Sharda Singh.

With the state government completely at sea, other state governments have stepped in to find funding for infrastructure. Work in Bhadrak will be sponsored by Rajasthan, Puri is being taken care of by Delhi, Ganjam by Andhra Pradesh, Cuttack by Karnataka, Balasore by Arunachal Pradesh, Jajpur by Madhya Pradesh, Mayurbhanj by Nagaland, and Keonjhar by Goa.

Corporate response has been muted and, except for the occasional donation from local entrepreneurs and from some workers like that of Coal India, corporates are estimated to have shelled out less than Rs20 crore.

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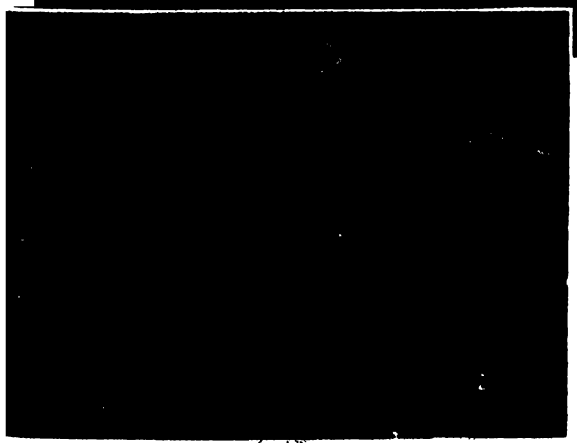


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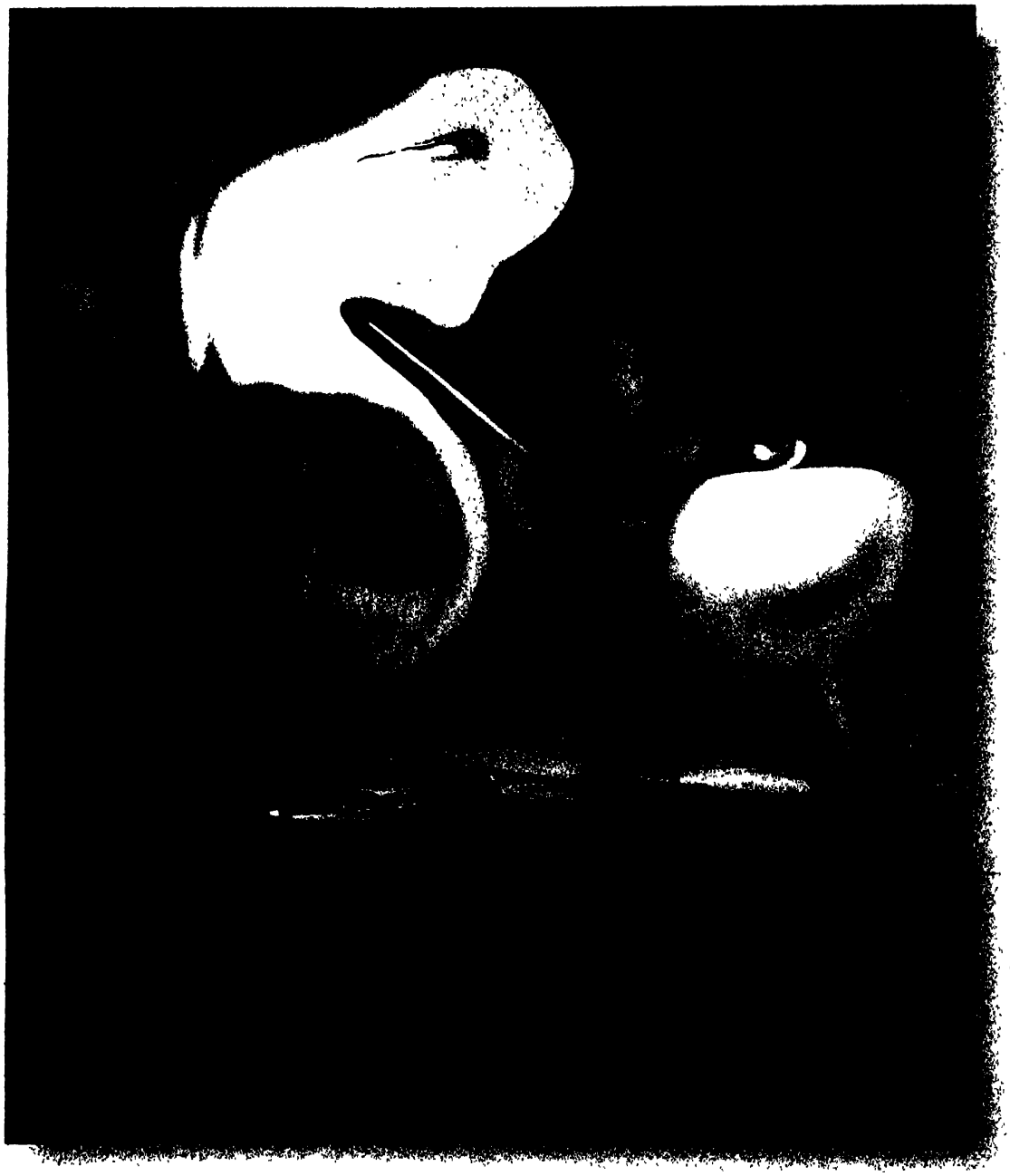


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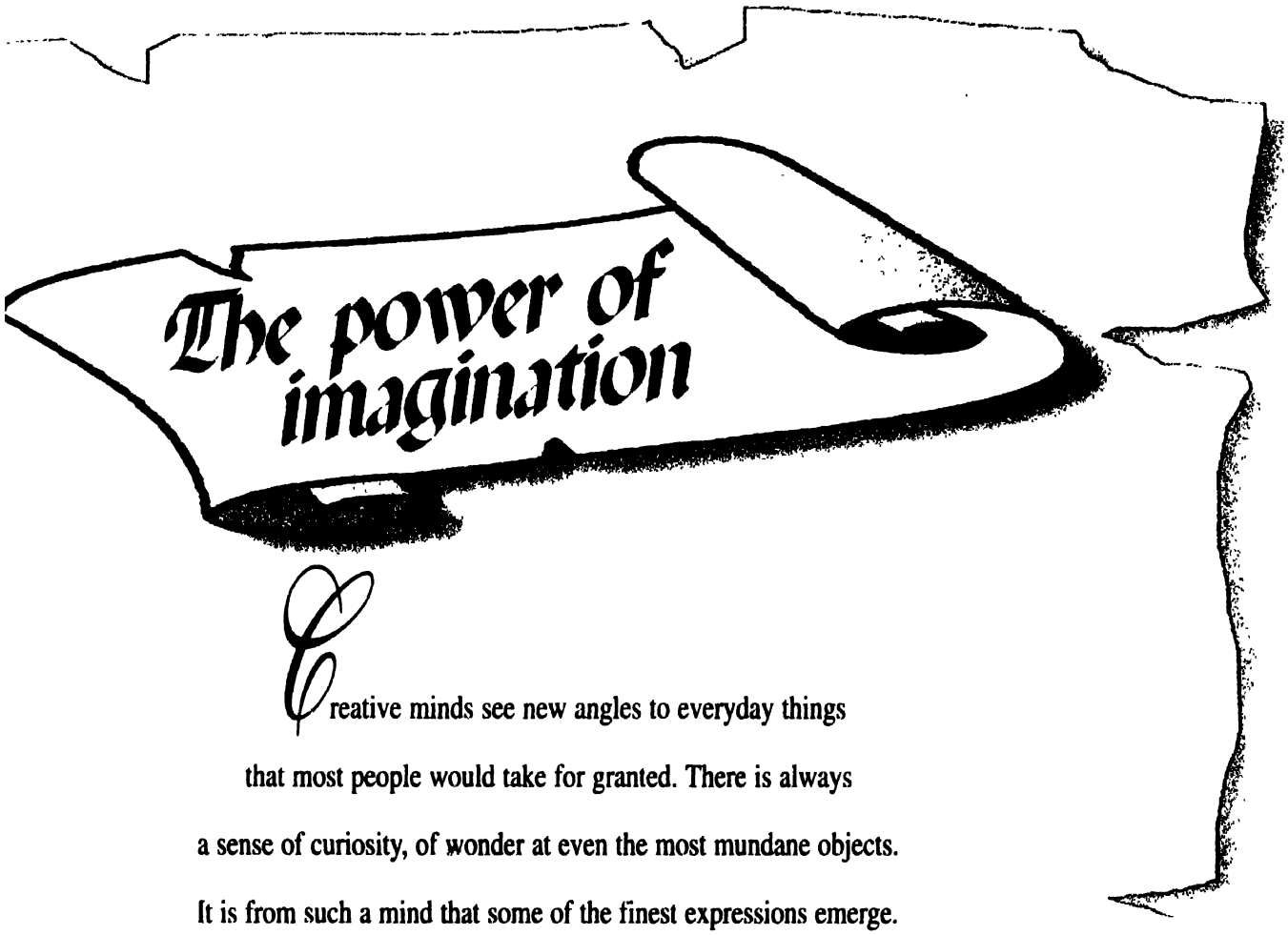
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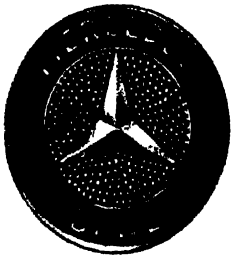
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The rush into insurance

With the Insurance Bill tabled in Parliament, the sector is being hailed as the most attractive after IT



PALASHRANJAN BHAUMICK

"Insurance is a major component of the potential businesses in financial services," says Mitra

For years they have been patiently waiting in the wings and suddenly it's open sesame. With the Cabinet passing the Insurance Regulatory & Development Authority Bill last month, the patience displayed by private sector insurance companies has finally paid off. Overnight there's a whole new gloss on the business and a gleam of hope in the eyes of the representatives of foreign insurance companies. Practically all the big boys are already in. Take a look at the list: Prudential UK, Sun Life of Canada, American Insurance Group, Winterthur of Switzerland, all of whom have already signed MoUs with local players. In fact, in the last four years as many as 15 MoUs were signed for prospective joint ventures in the insurance sector.

However, the new entrants may not find the going too easy. The Bill which heralds the opening up of the sector proposes tough solvency margins for private insurance firms, a 26 per cent cap on foreign equity and a minimum capital of Rs100 crore for life and general insurers and Rs200 crore for reinsurance firms. And, sorry folks, the repatriation rules state that the funds of policy holders should be retained within the country. The solvency margins stipulate that life and general insurers must maintain a minimum of assets in excess of liabilities, known as the solvency margin, of not less than Rs50 crore, while reinsurers have to maintain a margin of not less than Rs100 crore.

The main attraction of the Indian market is its sheer size — an estimated population of 900 million. According to officials at LIC, of the entire Indian population, only 42.39 per cent, or those in the age group of 15-49 years, qualify as potential insurable people. There is also a shift in the market structure in relation to the purchasing power of the urban *vis-à-vis* rural population. Fifteen per cent of the rich in India are from the rural sector and the growth of the rural market has been recorded as four times that of the urban market in the last few years. Of the 900 million population, 650 million is rural.

"Of the potential businesses in financial services, insurance is a major component. Combined with this is the fact that insurance in India has been a monopoly for such a long time, the expectation is that whoever comes in first will have a lead in getting a share of the market," says S.K. Mitra, director, Group Financial Services, Aditya Birla Group. The Birlas' strategy to get into life insurance is connected to the company's presence in asset management. Both are closely linked; while the former is savings, the other involves long term wealth management.

And this logic has applied to most areas which have opened up to foreign participation such as asset management, investment banking, etc. Another point is that "the earlier one comes in, one can take the pick of a good local partner," says Paresh Parasnis, regional manager-western region, HDFC Ltd. It also makes sense to have an early presence in the country as it enables the player to get a feel of the markets first.

There are other reasons as well. For players like Prudential and Sun Life, re-entering the Indian market is like a homecoming. For instance, Prudential had a presence in India between 1923 to 1956, during which period the Indian chapter was their biggest overseas business. Hence, the company is keen to renew that connection. Prudential Corporation Asia re-entered the Indian market with a joint venture with ICICI in the mutual fund business. Of course, PCA will be happy to get the same business it had in the 1920s. Today, the US is Prudential UK's biggest overseas business. "We want to be a leading provider of life insurance and mutual funds in India, help the industry develop and make different types of products accessible to the people of India," says Garth Jones, MD-finance, actuarial and IT, Prudential Corporation Asia (PCA).

HDFC Ltd, too, recently signed an

MoU with Standard Life. It is a symbolic participation. Prior to the nationalisation of the insurance industry in 1956, Standard Life was present in India till 1938. Standard Life has also had a relationship with HDFC for three years; it also holds a 5 per cent strategic stake in HDFC.

The fact that LIC is the dominant player in the Indian insurance sector, is not a dampener for new investors, but in fact represents an opportunity to show their paces with respect to their foreign expertise. There is a view that LIC hasn't been able to sell or market its products. For the last 50 years, LIC has been marketing only 30 products (or schemes). Though there is a tendency to view the organisation as a large, stodgy one, LIC does pose competition. For one, it has established a strong network of 6.30 lakh agents at more than 2,000 centres throughout the country, which will be difficult for the new entrants to match.

But there is a silver lining. Of the 42.39 per cent insurable population, all may not be interested in life insurance. Besides new products, or niche schemes, there is ample scope for the new entrants to introduce better services. "Prudential is a leading player in bringing forward some of the covers for terminal illnesses such as heart attack and cancer, amongst others. Other products include those that are focused on the special needs of women and products that link life insurance with investment buyers. As one size will not fit all, the idea is to tailor these products to the needs of particular customers," says PCA's Jones.

According to consultants KPMG Peat Marwick in their recently published report on the scope of the insurance industry in India, in life insurance, 50 per cent is in money-back policies, 40 per cent in endowments and 10 per cent in terms and pensions schemes. In the general insurance sector, 33 per cent is towards motors, 13 per cent in marine, 25 per cent in fire and remaining 29 per cent is in other miscellaneous schemes. According to WHO, corporates should focus more on niche areas such as pensions, creditor insurance or insuring white goods.

It's not as if insurance is an attractive business merely because there is a void due to LIC being the only player. The life insurance business is for the cash rich and the patient. Typically it takes five to seven years for a company to break even. It's a long process — the clients come in, purchase premium, most of the premium goes out to brokerage and other expenses. It is only after that the asset base grows to enable investments. However, the attractiveness of the business lies in the fact that you can get 20 years' premium in a month.

At present, life products comprise a big chunk, or 98 per cent, of LIC's business. Pension comprises a mere 2 per cent. Hence, industry observers expect the pension business to grow once the industry opens. With people living longer, they have to start planning their retirements. Precisely the reason why companies will be offering pension products. However, for most, the focus is going to be on life, with pension as an add-on product.

Prudential-ICICI's focus is very much on the life (insurance) and mutual fund side. "We are trying to provide people with simple, easy-to-understand, flexible, value-for-money

LIC leads the way

The workings of Life Insurance Corporation (LIC) drives home the point that insurance is an attractive business. For the period 1993-94 till 1997-98, the average profit margin has been 57.77 per cent. Profits during this period moved up from Rs8,667.53 crore to Rs18,072.83 crore at a compounded annual growth rate of 20.17 per cent.

Life Insurance Corporation

Particulars	1997-98	1996-97	1995-96	1994-95	1993-94 Rs crore	CARG (%)
Revenue	30,732.60	25,821.48	22,046.76	18,102.32	15,212.31	19.22
Premium Income	19,252.07	16,239.78	14,181.77	11,527.80	9,735.32	18.59
Income from Invesments	11,296.32	9,395.79	7,712.62	6,336.19	5,326.13	20.68
Miscellaneous Income	184.21	185.91	152.37	238.33	150.86	5.12
Total Expenses	12,659.77	10,841.58	9,245.60	7,789.24	6,544.78	17.93
Payments to Policy Holders	7,823.11	6,599.31	5,353.04	4,666.48	3,845.45	19.43
Expenses of Management	3,953.32	3,503.85	2,948.58	2,466.34	2,124.85	16.79
Other outgo	883.34	738.42	943.98	656.42	574.48	11.36
Profit	18,072.83	14,979.90	12,801.16	10,313.08	8,667.53	20.17
NPM	58.81	58.01	58.06	56.97	56.98	

The main two streams of revenue for LIC are income from premium and from investments. Roughly the ratio for the two are 63.51 per cent and 35.63 per cent respectively. While the pace of growth in income from premium is a bit volatile, that from investments is steady. For instance, in 1995-96, premium income grew 23.02 per cent to Rs14,181.77 crore and in the following year growth rate slowed down to 14.51 per cent. A similar situation can be found on the expenses side. The major expenses are payments to policy holders arising out of maturity or death. Payments arising out of maturity is predictable but outgoes due to death are not. In essence there are bound to be swings. For instance, in 1995-96, claims by death rose 29.23 per cent to Rs1,607.13 crore but in the next financial year, 1996-97, it increased at a slower pace of 18.04 per cent to Rs1,897.03 crore. In other words, there are swings and stable elements on both sides, viz, income and expenses. The key to the success of this business apart from generating new business is ironing out the peaks and troughs of both income and expenses.

The performance of LIC indicates how well it has been managed. In the five years (1993-94 to 1997-98) its revenue has grown 19.22 per cent to Rs30,732.60 crore and profits by 20.17 per cent to Rs18,072.83. Apart from managing swings another credit which goes to LIC, is that it has steadily brought down the growth in employee expenses.

• KRISHNA KUMAR C.N.



SANJAY BORADE

"The key is targeting particular segments according to its disposable income," says Sachdev

products. One thing we want to avoid is a situation where we have only one product," says PCA's Garth.

The US-based Principal Financial Group has signed an MoU with IDBI Investment Management Company, a subsidiary of IDBI. The JV proposes to focus on mutual funds, retirement services and related financial services in India. "The key is targeting particular segments according to its disposable income, as retirement now has to be planned," says Sanjay Sachdev, MD, Principal Consulting India Ltd. The agreement is attractive because besides being a premier financial institution, IDBI is the world's seventh largest development bank, a prestigious partner with which to develop India's mutual funds and retirement services sector. What IDBI brings to the table is its credibility, its distribution system and its brand. Principal, on its part, brings its actuarial skills. The partnership provides both partners broader access to IDBI's customer base including that of the Small Industries Development Bank of India which focuses on lending to small and medium-sized businesses.

There are surprise entrants, those who are not connected to the financial services business as well. For example, the recent MoU that has been signed between Analjit Singh's Max India and the $20-billion New York Life International, the number one provider of new life insurance policies in the US in 1998. According to industry sources, the move on Max's part is because they see insurance as a good business. But the synergy is there in that Max has a presence in the life sciences business, and New York Life has life insurance.

However, it is not necessary that just because companies are signing MoUs they'll get the licences. Until they do, they are getting the feel of the market and keeping busy. For Birla Sun Life Insurance, an insurance project team is already in place and is working on its business plan. The team comprises staffers of both Sun Life and Birla Global Finance. "Our plan is to start with a product that the market is used to and then gradually launch new products. So we will offer a plain vanilla insurance product and specialty towards the top end," says Mitra. With these products, Mitra promises better quality service and better response time.

According to PCA's Garth, "We have been here for four years. And it's given us time to know the market." In fact, in China, Prudential waited for 15 years. In the interim period, the company spent its time helping the Chinese government and the regulators frame policy. Alongside, they trained close to 600 people for the insurance industry. And it was only early this year that Prudential received a licence in China. In India as well, Prudential has taken the initiative in building the local expertise by training people for insurance. "We recognise that this is a period of investment, not only financial but also in people," says Garth.

The waiting period (so far of over five years) is not going to deter these hardy new players. Today in India almost every industry, except insurance, is open to foreign participation. In banking, though there is a limit of 20 per cent for a foreign partner, a foreign bank is still allowed to set up a new bank with 100 per cent ownership. "Keeping this in mind, the foreign entrants know that insurance will not be just one area where this restriction will be there," says Mitra.

Obviously, the Indian market is at a nascent stage. And a lot will depend on the regulations that shape policy. "We are hoping that within a certain framework freedom will be given to develop sufficient flexibility that can meet people's needs, rather than being framed within a regulatory strait-jacket. Also on the other side there is need to ensure that companies are sufficiently strong financially," says Garth. An important factor as people use their life's saving's for insurance.

◆ BHAKTI CHUGANEE

Who's going with whom

Indian company	Foreign partner
Kotak Mahindra	Chubb
Tata group	AIG
Sundaram Finance	Winterthur
Sanmar group	GIO of Australia
Spic	MetLife
ILFS	Cigna
Alpic Finance	Allianz
20th Century	Canada Life
Vyasa Bank	ING
Cholmandalam	Axa
SBI	Alliance Capital
HDFC	Standard Life
ICICI	Prudential
Hindustan Times	commercial Union
IDBI	Principal
Max India	New York Life



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DIPANKAR GUPTA

The author is principal, Business Ethics and Integrity Services, at KPMG Peat Marwick

The last piece of cake

While formulating mission statements it is necessary for senior executives to imagine themselves in positions subordinate to their own

The most effective policies are those that are procedurally just. For example, if the person cutting the cake knows that the last piece will be his, this will automatically ensure that all slices will be of equal size. As the procedure itself is just, its results are not open to contentious disputes. When the person who cuts the cake gets the last slice then everybody, high and low, is assured of a fair deal.

To be able to make this principle work in the corporate sector it is necessary for senior management to imaginatively adopt the perspective of those who are less privileged than they are within the organisation. Such a strategy should not be confused with populism or working class syndicalism. It is, in fact, good management practice.

To be able to articulate principles and policies that are procedurally correct is extremely important particularly at the time of composing a company's mission statement or code of conduct. It is true that such documents gain cogency and credibility when driven from the top. But it is equally true that, for these statements or codes of conduct to be truly effective, they must elicit the popular support of those at lower levels of the organisation as well.

While formulating mission statements and codes of conduct it is necessary, therefore, for senior executives to imagine themselves occupying positions that are subordinate to their own. This process needs to be worked down the line, methodically and step by step. It may come as a surprise to policymakers what a difference such a perspective immediately brings about. Many wrong perceptions about one another are cleared in this process. This strategy has the further advantage of arousing empathy at all levels.

It is not as if all distinctions, privileges, and perks are being removed or equalised. This process only enlivens the appreciation of the conditions that others work in and of their legitimate ambitions. These include professional respect, scope for upward mobility, and an unbiased regimen of rewards and sanctions. No matter which level people are at, it is necessary for a baseline similarity between all employees. Only then can it be said that they work *for* the company and not just *in* the company.

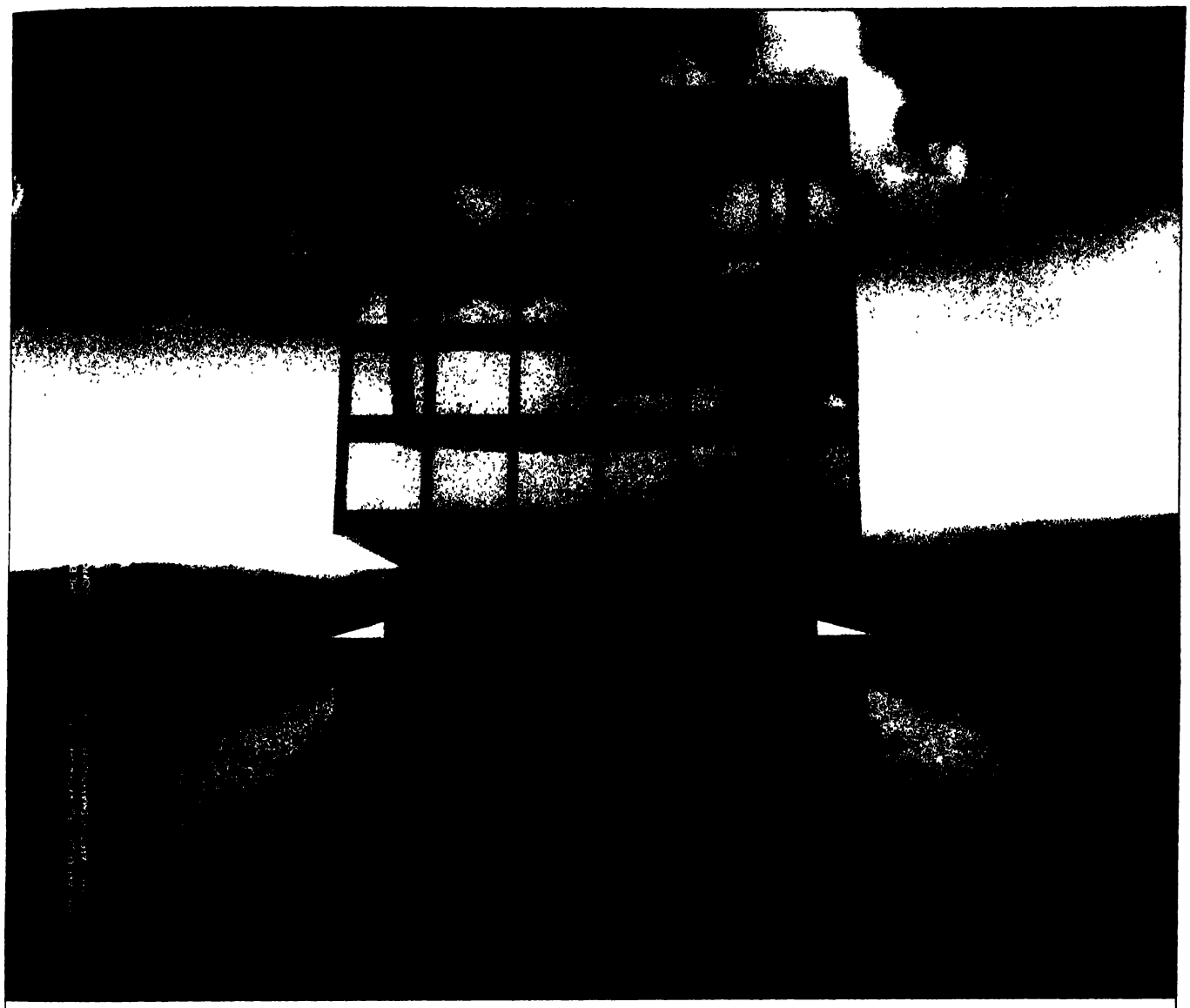
To keep the competitive juices flowing, frills can and must be added later on. But the extent of frills will depend on how much is left over once the policy of realising substantive equalities is met. It's not as if those at the top first help themselves to hefty slices of the cake and leave only crumbs for officials and employees at lower levels.

Once the top executive and members of the senior management hypothetically put themselves in the positions of those who are not quite as privileged as they are, they need to ask themselves some very simple questions. These questions need to be consistently raised at every organisational tier within the company. What would I do if I were in this post? What are the basic job insecurities at this level? How can I advance in my career to a more senior position? What other facilities could I enjoy which would make my work more productive and less of a drudgery? Last, but not least, do people in my company respect me for my work?

In order to raise these issues with empathy it is necessary for those at the top to assume that they are behind a veil. It is *as if* they do not quite know which position they would occupy once the veil is lifted. It is from behind this veil that they should formulate codes of conduct, business conduct documents, and mission statements. When senior executives follow this method and keep these issues in mind, the organisational rules they eventually arrive at will appear more just. These rules will carry greater conviction down the line.

The advantage of adopting this procedure is that there is a fusion of diverse perspectives. Those who formulate mission statements and codes of conduct have, by virtue of their experience and training, a more comprehensive grasp of the competitive status of the company they work for. When they go behind the veil they do not leave behind this vision. In fact they put it to the test by imaginatively placing themselves in a hypothetical situation at each of the significant levels in their company.

But every cake needs an icing. Thus far the documents are still somewhat unfinished. It is necessary to take the further step and review them with other members of the organisation. Once that is accomplished, business conduct documents and mission statements are ready to go to work: What's more, they get better with usage. You can at last eat your cake and have it too! •



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Cleaning up the Peerless mess

Will chairman D.N. Ghosh and his board of directors be equal to the task?



The erosion has ended, and Roy and Ghosh have set Peerless on the recovery road

In early 1996, when the Supreme Court ruled that Calcutta-based Peerless General Finance and Investment Company Ltd must change its way of doing business, corporate hawks predicted that it wouldn't take long for the country's largest non-bank finance company to finally go under. Having to change its traditional way of doing business – levying charges for processing or servicing deposits – struck a body blow to the company's core revenue stream. Peerless had often sailed dangerously close to the wind but had always managed to get away with it. But with the Reserve Bank getting tough on private sector finance companies, Peerless was a perfect candidate an overhaul.

Following the early 1990s, when Peerless's business was at its peak with deposit mobilisation touching Rs4,000 crore, the RBI barred the company from levying its service surcharge of about 40 per cent on its first-year deposits — a charge levied, according to people within the company, to service its working capital needs and exorbitantly high commission rates to its 45-lakh-odd (then) field agents. The RBI ruling supported by the Supreme Court order dealt a twin blow to Peerless's fortunes.

One, it dictated that the company could only invest its deposits in approved securities. Secondly, in the light of the ruling and changed accounting policies, a recalculation of earlier accounts was inevitable, which meant that Peerless had to provide for Rs771 crore as deferred obligation to be amortised over the years from its profits. This turned its net worth negative. Further, income would be strictly monitored as accruing from investments of the deposits after expenses and interest costs had been met.

Left to a management with questionable credentials, as it easily might have been, given the predators eyeing the company at the time, the fate of the company could have been uncertain. What saved Peerless was a restructuring of the board, which included well-known professionals and finance men. Rather than let Peerless sink at that point of time, former SBI chairman D.N. Ghosh was brought in — at the insistence of former finance minister Manmohan Singh and RBI governor C. Rangarajan, Peerless-watchers say.

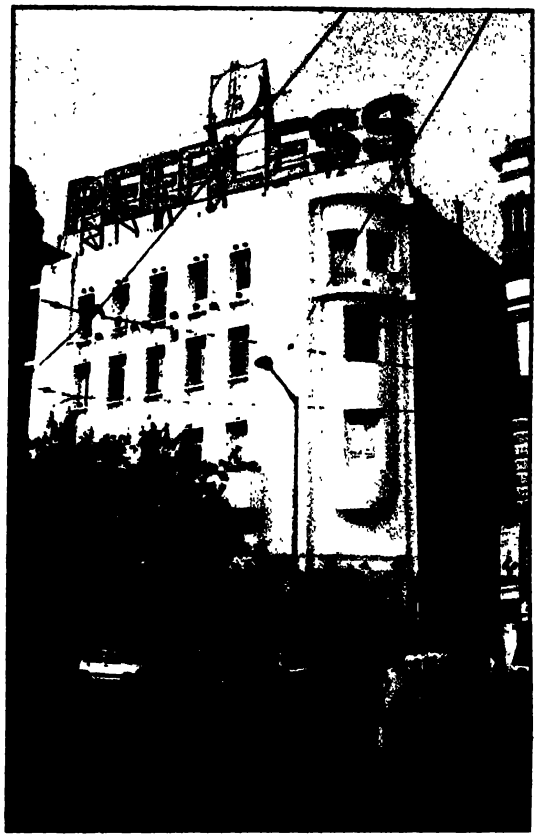
Ghosh, who took over as chairman in 1996, faced a difficult task: a company with a reputation for cutting corners at the receiving end of government hostility, a huge workforce totalling over 4,000 and a highly unionised and cumbersome field force of over 40 lakh agents, and liabilities of close to Rs800 crore not to mention obligations to its depositors. His first

task was to decide on the board. This was reconstituted and now consists of managing director S.K. Roy, who owns the controlling shares, former Hindustan Lever chairman S.M. Datta, former SBI chairman Dipankar Basu, minor shareholder A.K. Chatterjee, and a bunch of solicitors, retired bureaucrats, and finance executives. Says Ghosh, "The top priority called for a detailed strategy by which the company could return to the black and take on the challenges of the coming years in an increasingly competitive market." The critical financial situation – primarily the deferred obligation of Rs771 crore – had wiped out its net worth altogether.

The last three years have seen Ghosh and company do a complete overhaul and streamline operations. Given the stringent circumstances, Peerless, says Ghosh, "had to learn to optimise resources to earn maximum surplus out of which the deferred obligation would be met and commissions, overheads, and other establishment costs provided for. Only out of the balance would net worth considerations be met to turn it positive". According to an RBI diktat, the company would have to reach a net-owned funds base of Rs25 lakh by 2003.

So, in the quest for sustainable profits, thrust areas were chalked out. These were maximisation of returns on investments, recovery of non-performing assets in investments and loans, and transparency in accounting. With increasing competition from mutual funds, private sector financial companies, and corporate sector FDs, revving up business in a recessionary market was an uphill job. A major parameter involved reducing costs, which again could be done by a general tightening of operating expenses, but mainly through cutting commissions and staff (some of the agents were said to earn over Rs1 lakh a month through commissions) and rationalising deposit collection methods.

Ironically, Peerless's strength of 140 offices all over the country, some four-million-odd agents, and a huge, 4.5-crore-strong depositor base, helped the company survive. The revival, says Ghosh, basically hinged on the twin policies of cutting back expenditure, especially commission expenditure, which was easy given the fall in interest rates over the last four years, and increasing income through increased deposits by aggressive marketing. Considering that, within the span of a year between 1994-95 and 1995-96, when margins took a beating from around 40 per cent to less than a quarter of that, the company's recovery was slow but definite.



Peerless Bhavan, the headquarters of the group

Peerless's income from its investments was Rs744.38 crore as per RBI norms in the last financial year ended 31 March 1999, up by over 9 per cent from Rs682.03 crore the previous year. The net loss came down from Rs17.8 crore in 1998 to Rs6.7 crore last year (it was a whopping Rs42 crore in 1995-96. Commission and field expenses came down from Rs39 crore in 1998 to Rs27 crore last year. Importantly, Peerless managed to recover Rs136 crore from its non-performing assets over the last three years.

Total investments stood at Rs5,124 crore. Payouts to depositors totalled Rs394 crore last year, the cumulative aggregate being Rs1,600 crore. "Yields," says general manager (finance) Aloke Sikdar, "have been averaging 12.86 per cent last year," and despite falling interest rates Peerless has been able to sustain its interest yield by maintaining liquidity and profitably deploying funds recovered from non-performing assets.

While the company in terms of relative or comparable performance has yet to match the levels of 1991-93, much of the damage has been contained. In 1994-95, the last year of prosperity before the RBI ruling struck, net profit was at Rs8.7 crore on an income of Rs792 crore. Last year, while income reached Rs744 crore, operating profit before adjusting for deferred obligation and provision for NPAs was Rs62 crore. Post-adjustments the net loss was around Rs7 crore, almost Rs10 crore less than the previous year. The positive aspect of the results has been that, "over the last three years, the company has been able to amortise Rs510 crore. That leaves a balance of Rs261 crore, which should be amortised over the next three years," says Ghosh.

Both Ghosh and managing director S.K. Roy hope the company will be back in the black after 2003. But that too is a painful proposition. Despite the modest gains in its financials the company still has a major task ahead. Though the management claims that NPA recovery is now under control, it did take the company three years of concerted efforts, and this needs to be stepped up to create surplus funds to generate income. If the market doesn't look up soon and industry recover, company officials say, it would take longer to recover the money.

Roy harbours no illusions: "The situation today is certainly hopeful. If we look into the last three years' results, and particularly the confusion in public opinion and the markets, we have done much. Our erosion is halted. To support viability further we

have lots of plans and lots to do."

Ghosh emphasises the urgency of maintaining cash flow. "As the largest non-bank financial institution in the country with 4.5 crore depositors and a deposit base of around Rs7,000 crore, the company should in no way default on its obligations. With credit for income only from investments, we need to take stock of all NPAs and initiate processes for recovery."

Adds Roy, "Within the company it is time for rationalisation and restructuring. Older hierarchies will have to be changed and the staff will have to take a more realistic view of work schedules." This need not necessarily mean pruning the workforce, but rearranging the earlier 18-tier system which agents employed for collections. These would be slashed and Peerless would focus on more in-house activity through its own outlets. Agents' commissions, which accounted for 40 or even 50 per cent of expenditure in the early 1990s, came down to 20 per cent four years ago. Last year it was down to 7 per cent and, according to Peerless officials, is expected to come down further to about 4 per cent over the next couple of years.

The other major task, according to Roy, is to "prune all associate companies and subsidiaries". Till recently Peerless had a list of 24 associate and subsidiary companies, all formed over the last couple of decades. These represented various diverse interests like hotels, hospitals, retailing, housing, travel, and shipping at a time when diversification was fashionable for the corporate sector. "Efforts are on to sell off a large number of them, leaving three or four profitable ones," says Roy.

The retainable ones are Peerless's Hospital business, set up almost a decade back, and its Peerless chain of hotels, mainly in the eastern region (both require upgrading), its consumer goods division, which does brisk business in retailing, and a small financial services unit, which will be a key player in launching a number of new financial products Peerless has in mind. Two companies – Peerless Technologies and Peerless Shipping – have already been sold. Shares of the latter, which was a profitable company, fetched around Rs47 crore, which should shore up the bottomline in the current year. "The idea is to wind up or liquidate most of the businesses, especially the ones which haven't been making money," says one senior finance manager.

The Peerless General Finance and Investment Company Ltd

Rs crore

Year (Years ending 31 March)	1995-96	1996-97	1997-98	1998-99
Total income	601	608	744	770
Total expenditure including interest	643	638	761	777
Net loss	42	30	17	7
Deferred obligation	771	651	325	260
Investments including loans and advances taken as investments	4,112	4,815	5,504	*6,084

At Peerless Bhavan the keynote is definitely back to core competency, which Roy advocates. "Focus for the future will be only on services — financial services, which we have been providing now for a hundred years, hospitals, and hotels." Adds Ghosh, "When we decided to restructure Peerless we had a vision and no vision is complete without the backup culture."

Catching the customer

"The customer is pre-eminent," declares Ghosh, who sees Peerless as a major marketing company in the coming years. "It is the era of aggressive marketing and we plan on extending our reach to the customer. Right now we have several plans, some of which we have already started on how to access customers more readily and the large number of services we can provide them."

In addition to its 140 existing branches, Peerless intends opening several more collection centres for depositors all over the country. Of its large number of depositors, most are daily depositors from the rural or semi-urban areas. The earlier 18-tier system was a passive collection system; the opening of several new branches is expected to turn Peerless into a major marketing company, where collection will be systematic and supervised, focused, and concentrated. "The days of haphazard collections left to the whims of the agents are over," says Roy.

Despite its firm origins in Bengal – Peerless was born in Dhaka exactly a century ago – the company has a large degree of acceptance among depositors all over the country. Only 33 of its branches are in West Bengal, the others spread uniformly across India.

Peerless plans to go in for a big publicity campaign, not just for its branches but also for its new financial services offered by Peerless Securities. These include broking and sale and purchase of shares and debentures. Much of Peerless's new plans will, however, depend on an improved work culture. While the need for discipline has been made clear to the employees, old work habits die hard.

In restructuring Peerless, one of the first and most important of the management's achievements will have been to create financial discipline within the company, which knew almost nothing of the term for the last few decades. This discipline, its managers say, will form the base for Peerless to take on the competition, not least from the multinationals who plan to enter financial services and the insurance sector in a big way.

Roy says he has already received feelers from several international companies who want to use Peerless's huge data base and models on the rural sector. While no decision has yet been taken, Roy says a tie-up could be a possibility in the future. Future, however, is another four years away, by which time the last vestiges of the financial mess will have finally been cleared up and the balance should have turned positive.

•MADHUMITA BOSE



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when progress seems futile. To believe with every fibre
in your body. To live – to hope. And to

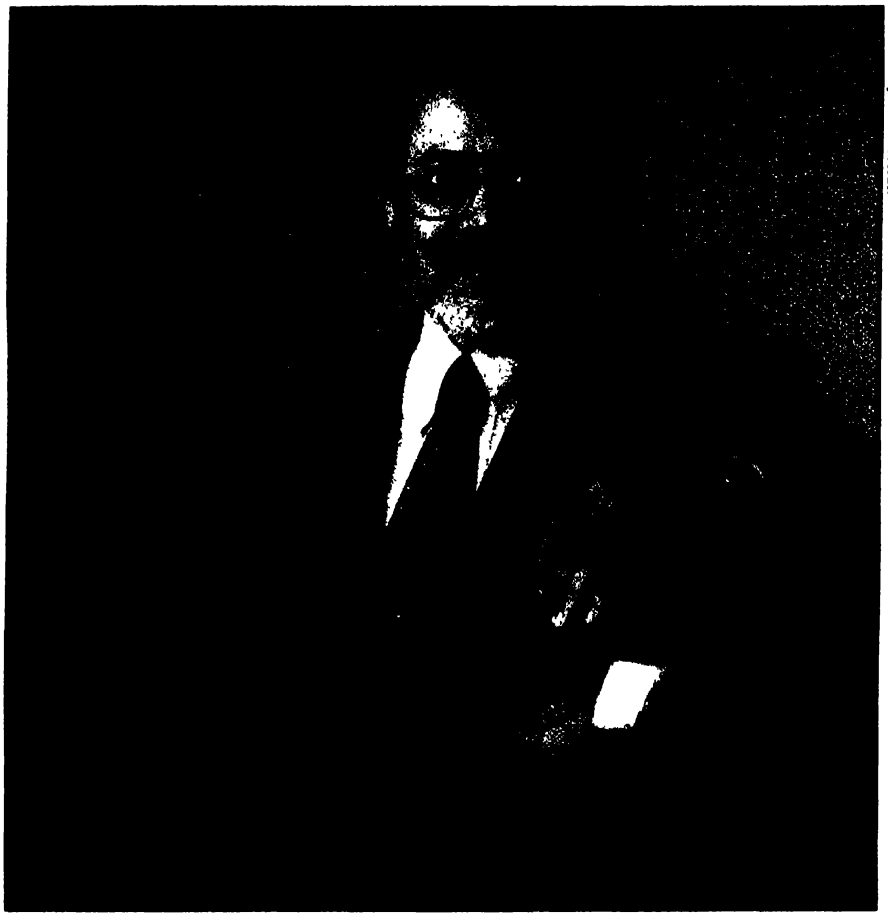
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Making sense of Merind

Habil Khorakiwala's Wockhardt has turned around Merind with a mix of product rationalisation, sound management ethic and a revitalised field force



PALASHRANJAN BHAUMICK

Wockhardt chairman and managing director Habil F. Khorakiwala is ensconced in his office, aptly named Pharma Search House, in Mumbai's midtown Worli business district. But not for much longer, as he is preparing to take the entire corporate office to the Rs140-crore, 200,000-sq.ft., nine-storey Wockhardt Towers in the emerging suburban Bandra-Kurla business centre. Changing his corporate residence is only part of the story.

Khorakiwala is flush with his success in turning around the beleaguered Merind, which he acquired from the Tatas last year for Rs97 crore. More importantly, the Rs775-crore group (Wockhardt Rs498 crore, Wallis Labs UK Rs77 crore, and Merind Rs200 crore) he heads has leapfrogged from 19th rank to number five (*see chart*) in the ORG retail pharma audit sweepstakes. With a turnover of Rs296.4 crore it has left Glaxo-Wellcome, Cipla, Ranbaxy, and Hoechst Marion Roussel way behind.

Rank	Sales
1	750.1
2	526.3
3	423.6
4	377.8
5	296.4
6	293.0
7	280.5
8	277.3
9	275.5
10	269.2

Source: ORG MAT - September '99

Wockhardt has several other business lines besides pharmaceuticals which are going to be part of the demerged life sciences company. Chennai-based subsidiary Wockhardt Healthcare, which produces intravenous fluids, was merged a couple of months ago with Wockhardt Life Sciences, a company being created out of agri-science, IV fluids, and hospitals. Under the scheme Wockhardt shareholders will be given 100 shares in Life Sciences at no cost for every 100 shares they own.

The Merind experience has taught Team Wockhardt many things - multidisciplinary skilling, man management, inter-functional team requisites - which are now in place. Right now Khorakiwala has his hands full with the impending demerger, triggered off by feedback from the investor community. Khorakiwala says, "We wanted to create a pure pharma company which would incorporate Merind, Wockhardt Europe, Wallis Group Ltd, and Wockhardt Americas Inc, while the new company, Wockhardt Life Sciences, would have the agri-sciences, hospitals, and IV fluids businesses. Of the group turnover of Rs775 crore, 73 per cent will be in pharma and 27 per cent from the new entity."

The rationale behind the demerger, he says, is that life sciences has grown remarkably over the last five years. "We want to unlock the intrinsic worth and value of the two organisations and the idea of a demerger was born at the time of the Merind takeover. We are now waiting for the court to reopen after the Diwali recess and the demerger will go on stream from 1 January 2000. I think there is enormous value for the shareholders in the new company — its sales of Rs200 crore are backed up by physical assets of close to Rs400 crore."

A prominent fund manager argues, "It is a aggressive, fast-growing company which is now beginning to concentrate on revving up its brands, spending a lot of money on R&D. The

weaknesses – real estate, hospitals, and agrochemicals, divisions – will be hived off into Wockhardt Life Sciences post demerger, a positive sign that Wockhardt is concentrating on its pharma competence. I think the scrip is undervalued and a very good medium- to long-term prospect."

Quoted at Rs633 on 11 November, the scrip goes into compulsory dematerialisation from 22 November. This, coupled with the fact that the institutional holdings (FIIs, GDR, Indian institutions, mutual funds) are an extremely low 12 per cent, according to analysts, indicates scope for an upside as the equity capital is Rs35crore, i.e. 35 million shares are available. The promoters hold 66 per cent, the public holds 15 per cent, and corporate bodies 7 per cent.

The last quarter results (July–September 1999 of an 18-month financial year ending 31 December) seem to suggest that the Wockhardt–Merind merger has worked wonderfully. Net profit has risen 49 per cent from Rs22.9 crore for the quarter in 1998 to Rs34 crore. In fact Merind, when it was absorbed, had shown a Rs50-lakh loss (30 June 1998). A pharma analyst at a leading foreign institutional investor says, "In hindsight, I don't think he paid too much (Rs260 per share). *Prima facie* it looked that way, but he has managed to turn a very loosely managed company around very effectively. In fact, a lot of the growth logged by the merged entity has come from Merind. This acquisition has put Wockhardt on a very sure footing."

Khorakiwala himself adds, "It has been a very satisfying experience because the integration has meant internalising Wockhardt's result-oriented management process. We found tremendous inertia within Merind and so systems integration was critical. McKinsey & Co helped us with the thought processes, but we adhered to a very tight schedule of implementation over a six-month time frame." Streamlining operations meant shedding weight — the VRS and employee separation schemes cost Khorakiwala Rs18 crore. Merind was downsized from 1,440 to 920 employees.

The merged company (Wockhardt



SANJAY BORADE

Naik has used a three-pronged strategy

with Merind) did not need the support structures of two different organisations — accounts, personnel, finance, *et al.* The business profile has seen rapid synergy, with the therapeutic coverage increasing to 43 per cent. Moreover, it was discovered that there was low customer overlap *vis-à-vis* the field force and Merind's Vitamin B12 portfolio has seen a phenomenal upside. It now has an 8 per cent world market share.

A three-pronged – 3P – action plan covering products, processes, and people has driven Merind's successful assimilation. Deepak Naik, general



manager (marketing & sales) at Merind, discusses the strategy that has paid handsome dividends. "When we studied Merind during due diligence, we saw strengths in some of their brands; after all, global heavyweight Merck & Co was associated with them for over two decades, resulting in good brand equity and a reasonable rural presence. So we concentrated on the steroid Decdan, which was already a large volume established brand; the neuropsychiatry range of Tryptomer and Libotrip, Vitamin B12, the nutrition range including Practin and B G Prod, and the anti-TB range Caviter."

Most of these products were under DPCO, so Wockhardt worked towards improving their performance levels through a concerted effort of brand formulation, price rationalisation, and pack modification. Decdan, for instance, saw a product modification making its debut as a faster-acting, faster-relief soluble tablet called Decdak to compete with Glaxo's Betnesol. This immediately ensured a radical improvement in profitability. Again, with the Caviter range, 14 products were pruned to four, compacting and simplifying the supply chain. All four were modified by adding Vitamin B6, giving them a patient benefit by turning them into peripheral neuropathy differentials in the anti-TB range. The Caviter range is growing by 18 per cent.

Naik toured the country extensively, communicating with the Merind field force and the frontline managers, creating a system whereby customer (doctor) and product tagging was paramount — essentially zeroing in on the right product for the right doctor. A multi-tier orientation meant quick results. Vitally, the Merind distribution system was found to be cost-intensive, so the consignee and distribution agency was converted into C&F agents. There were 36 C&Fs in Merind which have been brought down to 27. All this meant a hungrier, galvanised sales force which was now zipping in the fast lane.

Simultaneously Wockhardt, which is the leader in pain management (the proxyvon range, which in totality contributes 8 per cent to turnover) with moderate-sized brands in antibacterials like Sparx, Powercef, Aziwok, and

Pelox, antiseptics like Wockadine, and cough syrups like Zedex and Bro-zedex, has pump-primed its own lines of formulations in an efficient manner. Interestingly, premier brand Spasmoproxyvon, which contributes 4 per cent to the total turnover is now being co-promoted by the Merind field force and the reach has increased dramatically, covering 75 per cent more doctors.

Wockhardt has launched new products including Kefstar, Spasmoproxyvon Forte injectible, and Easum over the last six months and is now ready to unveil a Hepatitis-B injectible in January and strengthen its steroid, psychiatry, anti-allergy, and anti-inflammatory product portfolio in a phased manner over the next 15 months. Over and above this, 20 new products in the agri-sciences, animal health, and generic segments are ready to roll out.

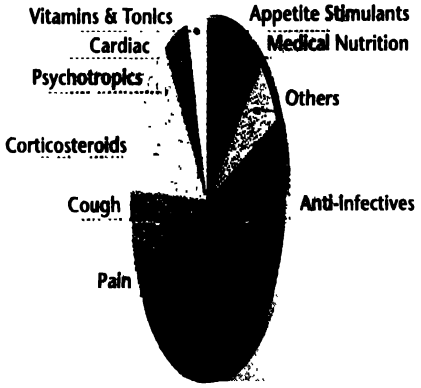
Acquisition drives growth

Senior manager (business development) Manish Gupta reckons that Wockhardt's organic growth over the years working in conjunction with the Merind acquisition have resulted in a spectacular spurt. The access to fermentation technology for Vitamin B12 is helping on the export front. With the demerger of Wockhardt's pharma and non-pharma businesses, a clear demarcation will be established. Two companies instead of one — Wockhardt Ltd, focusing on pharma alone, and Wockhardt Life Sciences, which capsules the non-pharma business. Gupta also says the company is a highly information-systems-friendly and the Rs140 crore spent on R&D at the Aurangabad facility over the last five years makes Wockhardt one of the three serious technology-intensive companies in the Indian pharma firmament after Ranbaxy and Dr Reddy's.

An issue arising out of the demerger is that, while the focus at Wockhardt Ltd will very much be on pharma, there appears to be no synergy between parenterals, agrochemicals, and hospitals in the Life Sciences end of things. The answer thus appears to be a separate dedicated management team to run Life Sciences. Agrochemicals, which is not in synch with healthcare, sticks out like sore thumb.

Another premier FII pharma analyst says he won't be surprised at all if Khorakiwala now targets a few more pharma companies. The buzz in the pharma sector was that Ahmedabad-based Core Healthcare, a leader in IV fluids, was a soft target. But Khorakiwala says, "I am committed to acquire companies that provide additional value to the group. How can I look at Core? it is a debt-ridden company. My focus is very clear, I am looking at an acquisition in pharmaceuticals only. At the same time it is true that Wockhardt does not have big brands in antibiotics

Pharmaceutical business therapeutic coverage



or vitamins, but our success has been built around targeting niche markets with high margins. If a company with a big brand is available it will make an attractive target and it would be in concert with my balance sheet and profile. But let me clarify, there is no serious dialogue on at the moment."

Analysts worried about his Bandra-Kurla realty venture are also breathing much easier now that the Intelligent Building (land for which was purchased for Rs47 crore) is finally ready. After all many a corporate has burnt its hands through real estate exposure. Khorakiwala says, "I know there has been unnecessary delay owing to CRZ problem, but all that is past. We will be using 35 per cent of the 200,000 sq.ft. for our own purpose, while the rest will either be sold outright or leased out. I expect to make a small surplus on my Rs140-crore investment."

With investments to the tune of Rs320-crore fashioned by internal accruals and debt – Wockhardt Towers (Rs140 crore), Merind (Rs95 crore), the nutrition product facility in Chandigarh (Rs40 crore), and Wallis Labs of UK (Rs20 crore) – over a three-year period out of the way, Khorakiwala is now concentrating on providing better value to his shareholders.

Similarly Wallis, which was making a loss, has been jump-started using the Wockhardt management model. June 1999 has seen a profit of £500,000 and the first quarter (July–September) has seen a further spiral to £250,000. End-June, turnover is a healthy £11 million (Rs75 crore). Wallis, a generic manufacturer of analgesics and stomach and cold remedies, counts Boots, Norton, and Unichem among its customers.

Rechristened Wockhardt UK, registration dossiers for as many as 16 new products will be filed during Y2K with the Medicines Control Agency. Khorakiwala expects Wallis sales to increase substantially to £24 million. Discussing his international strategy, Khorakiwala says: "I am looking at joint venture marketing partnerships since we have research, manufacturing, and registration strengths. After the tie up with Sidmak Labs of the US, he is now actively exploring profit-sharing agreements on drug delivery products in the US and Europe. The total exports of the Wockhardt group stand at Rs94.5 crore (end-June 1999).

Khorakiwala is pleased that he is now part of an elite club in the Indian pharma industry, but with 2005 approaching he has a very clear strategy for survival owing to his huge investments in R&D. "We work within the ambit of Indian patent laws, creating a technology base. With liberalisation and the signing of GATT we have five years of a planned approach before us. It's not that the patent regime is going to be foisted on us overnight. Our process technology is globally competitive and we are certainly not into pirating patents."

Over the next three to five years Wockhardt appears poised to emerge as a sound, technology-based company with a product portfolio that will reflect its strong, competitive posture. Acquiring mass, though, remains topmost on Khorakiwala's agenda.

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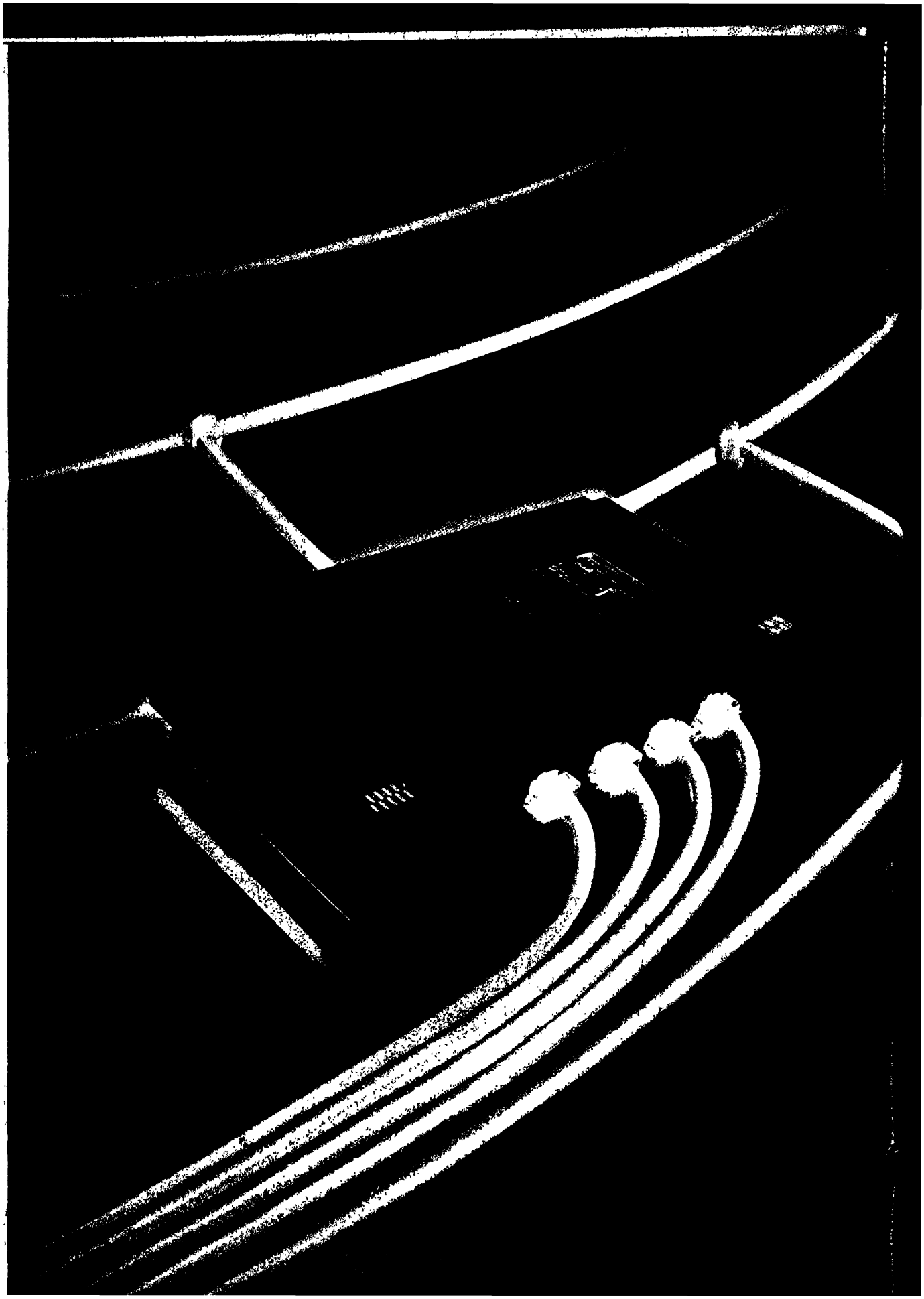
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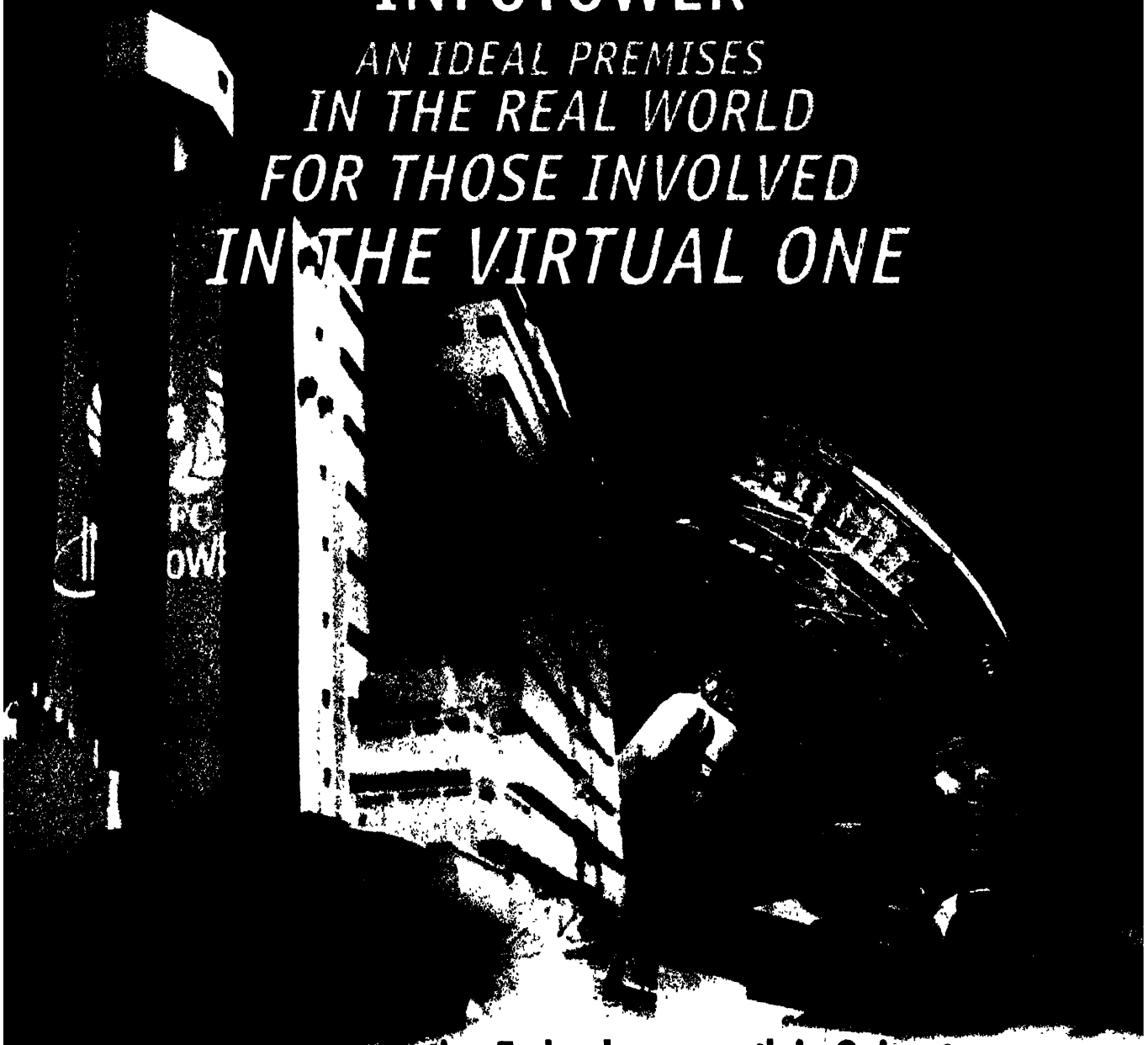
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GNFC, has but taken the lead from the Gujarat Government which has unveiled major plans to promote IT Industry in the state. In March '99, Hon. Chief Minister of Gujarat Shri Keshubhai Patel inaugurated "Infocity" which is an IT park being set up in the outskirts of Gandhinagar.

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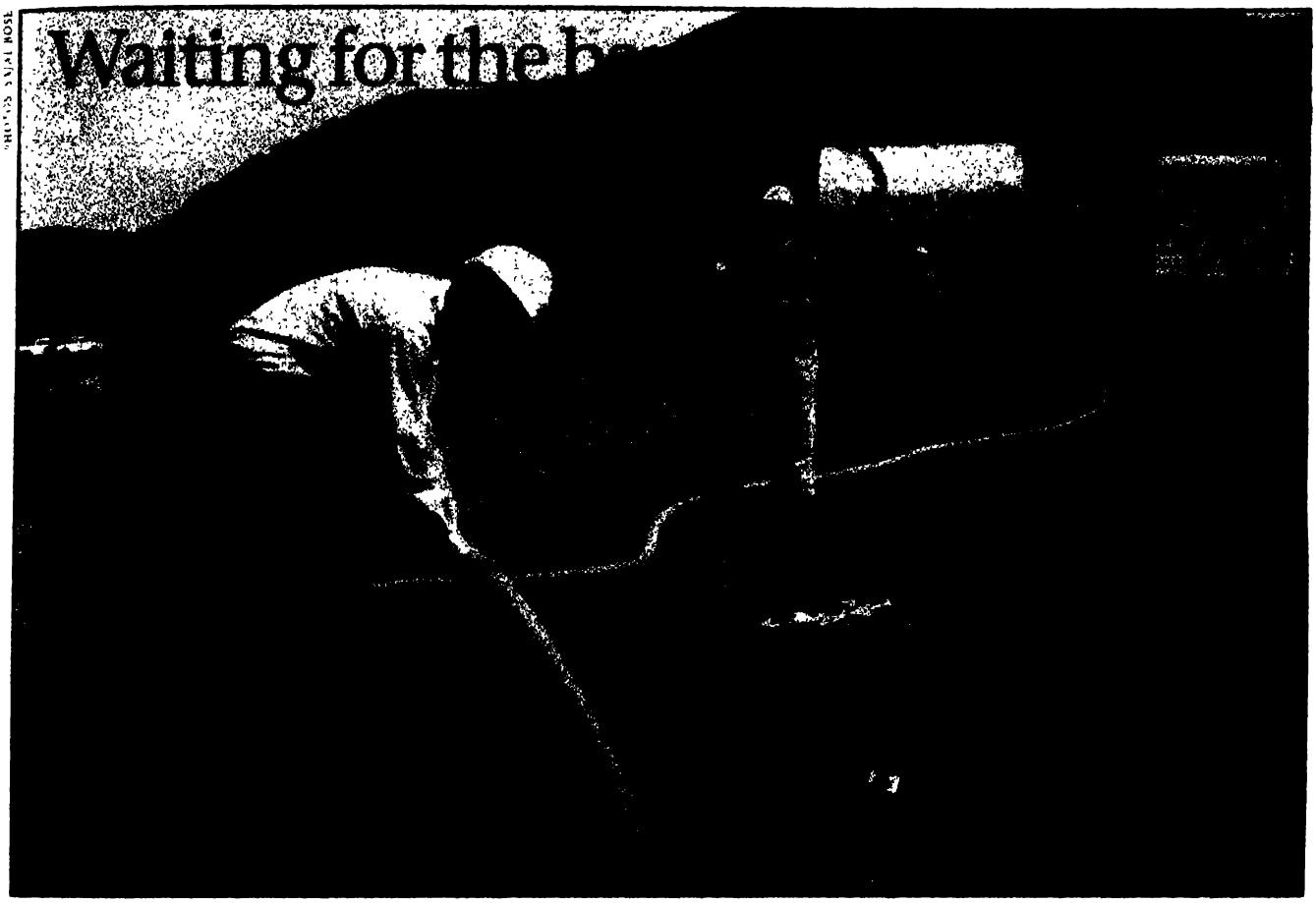
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Sporting a leaner and fitter look, Indian Explosives Ltd is exploring ways to claim the top slot in the market

The name is very well known. Hit by George Fernandes' strident campaign against multinationals in 1977, ICI had quietly diluted its holding in India to below 40 per cent and renamed itself IEL or Indian Explosives Limited. IEL became ICI again in the 1980s in a more liberal environment. Now, it's back to the future once again. Its old name perhaps is the only thing that remains of the past in this all-new company.

For a start, look at its owners. As part of a global realignment of its own businesses, ICI exited the explosives industry, selling off its business to Orica of Australia last year. However, explosives formed a large part of ICI India's business portfolio – about 22 per cent – and a decision on the division was deferred. The deal went through finally only in October this year. The first board meeting of the company was held in the first week of November when the two new members from Orica, the new owner, joined the board.

ICI Australia broke away from the 100-year-old parent under a new name Orica, apocryphally derived from "originally ICI Australia". Orica has sales of over $2.71 billion of which more than $1 billion comes from explosives. Having puts its own house in order, it began to acquire ICI's explosives businesses in 27 countries across the world to become the world's largest explosives company, employing over 10,000 people.

India is the second-last one to go the Orica way; only ICI South Africa's explosive division remains. But India went over quite late, perhaps because "ICI wanted a decent price and Orica thought it was just worth that much," says an insider. Orica paid about Rs100 a share totalling Rs72.3 crore for a 49 per cent stake in a company worth about Rs100 crore. The balance remains with ICI India although Orica has taken over the management of the company.

Orica paid ICI a further Rs23 crore for the latter's 70 per cent stake in Initiating Explosives Systems India Ltd (IES), its detonators and initiating explosives joint venture with Enfield Pickering of the UK. Since Orica knew the score within ICI India and the performance of the explosives division, the price is likely to have been well-balanced. It is noteworthy that the ICI share price has been hovering around Rs200 after the divestment, perhaps indicating that ICI has gained by shedding this low-profit venture. ICI has held onto a large part of the company hoping, no doubt, that it will sell out in the future at a premium, sources indicate.

"There are many problems in the explosives industry, but it is by no means a low performer," says IEL chief



Mohan says IEL's patent explosive for underground coal mines are the best in the world

executive Sanjay Dayal. While his boss, Rajiv Jain, has continued with ICI and as non-executive chairman of IEL, Dayal is now on the board of the new company. He was previously the general manager of the explosives division of ICI. Dayal points out that much of the tough decisions had been taken during the ICI days and that he has inherited a company that is much leaner and fitter.

ICI's explosives division has been undergoing a massive transformation out of the limelight in the last decade. All this has largely been missed as ICI top brass struggled to project the company as a paints and chemicals giant unwilling to be stuck with its explosives arm.

ICI's Gomia plant, now with IEL, was built in 1958 as a nitroglycerine-based explosives plant. Cut into one side of a hill in a remote forested area of Chhota Nagpur, human habitation was allowed only on the other side where it was safe. ICI Gomia was a massive undertaking with over 2,500 employees, its own aircraft and a well-appointed township. "In 10 years we now have less than 500 people in Gomia and we have developed plants in another two sites with 23 agents and 24 magazine areas. We now have just 700 people in the company," says works manager K. Mohan.

IEL quietly quit the dangerous nitroglycerine-based explosives area and now makes industrial explosives based around ammonium nitrate. Second, says Mohan, ICI invested in a detonator factory in the same premises. The unit is now considered a market leader. But with the bulk of coal mining moving away to Singrauli and the Mahanadi basin, the outlook for Gomia is becoming bleaker day by day.

But as the sale price indicated and the balance sheet seems to hint, IEL's biggest challenge is to make its business pay. According to Dayal, IEL's sales are in the region of Rs135 crore with IES sales at another Rs65 crore. Although he is cagey about disclosing profits, the balance sheet seems to indicate that it could be in the region of Rs15 crore. However, given that IEL picks up a 20 per cent commission on IES sales, it would seem that too much of IEL profits derive from IES rather than from its own business.

But Dayal says that there is a large cost of sales involved with IES products which are still nitroglycerine- and high-explosive-based. Also, he says, the network required for the distribution of IES products rides piggyback on the IEL distribution channel. The production facility is entirely based within IEL's strong infrastructure, he further points out.

Buyers' market

IEL will continue to be dogged by a monopsonistic situation. The biggest consumer of explosives in India is Coal India and its subsidiaries. And that's a tough call; they have been beating IEL down on price, and keeping their payments pending for ages. There are over 40 "small-scale producers" who use nothing more than a concrete mixer and stay out of business most of the year. After all, take some fertiliser, mix it well with diesel and set it with a gelling agent inside a polythene packet and you have an industrial explosive ready to be set off with a bang.

These small companies, however, continue to erode tender prices and orders from Coal India. "We do offer some high-grade products, but there is too much competition in the packaged explosives market. The growth will have to come from other areas," admits Dayal. There are dozens of other mining and quarrying industries that consume explosives, but these do not have the stringent fire and safety regulations found in the coal industry. As a result, they tend to settle for the cheapest options available in the market. Also, since most of these mines and quarries are quite small they tend to buy their explosives from the trade rather than directly from the producers.

There are only two other major organised players in the country — the government-owned IBP Limited and the Hinduja-owned IDL. IBP's



IEL's Gomia plant has undergone a major facelift

explosives division has been in the doghouse for some time now and IEL claims to have emerged as the country's largest integrated explosives company.

Given the changing business climate in India over the last decade, it would seem that the explosives industry in India is headed for some consolidation. For example, IBP's explosives business is up for sale, according to industry reports.

Dayal says that IBP makes no detonators and has limited reach in the bulk explosives business. IDL similarly has a presence in each sector but is not as large. "Bulk explosives offer some succour. It requires investment of Rs65 lakh per delivery truck and a large network, which only the large companies can afford," says Dayal. The unbeatable advantage offered by bulk explosives is that explosives are only mixed together right at the site and only in the quantities that are required. It is safe and requires none of the expensive paraphernalia associated with dangerous explosives.

Looking ahead

The country's explosives industry is worth a little over 3 lakh tonnes a year at present, with packaged explosives stagnating at about 1.8 lakh tonnes and bulk growing from 1 lakh tonnes to about 1.6 lakh tonnes in the last three years. IEL produces about 75,000 tonnes a year, 25,000 tonnes of packaged and about 50,000 tonnes of bulk explosives.

Mohan also says that IEL's research and development has yielded a special package explosive, called the P5 family, suitable for underground coal mines. IEL owns the patent and is now the only supplier in the market. Earlier, these mines used dangerous nitroglycerine-based explosives in these applications.

Dayal says that the biggest boost to the company in the last couple of years is in its ability to take up complete services contracts. "We did a big job of clearing rock on the ground for Reliance's Jamnagar refinery. They were impressed and we learnt a lot. If the infrastructure sector, especially road building, takes off I think this business will really take off. We are in a position to sit on top of that market," says Dayal. Similarly, he hopes that as globalisation creeps into the coal industry, he will be able to pick up more full service contracts. "Ultimately if we offer better explosives, it means that we produce more rock or coal for less. We should be ready to be paid according to the bang rather than for the tonnage we supply," he says.

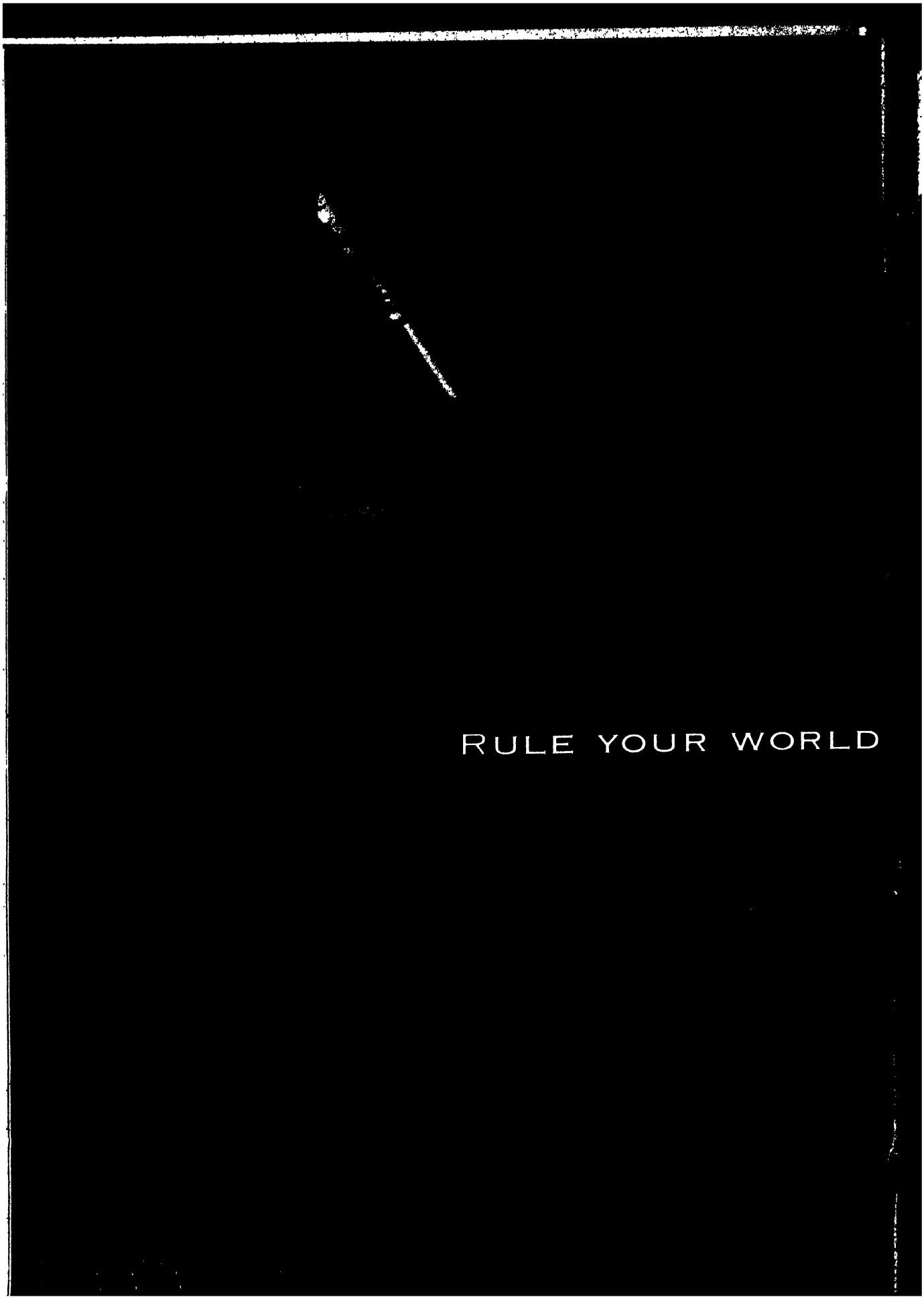
Orica has not yet defined its role in the company. It is likely to send in some of its own people in key positions although Dayal points out that since they all come from ICI stock, there is a mutual respect across the globe. There seems to be an indication that Orica could open up the world for IEL. The biggest opportunity presenting itself to the company is in its detonator business. Detonators are put together by hand and are highly dangerous. India alone consumes some 50 million detonators each year and the world consumption runs into billions. Mohan says that IEL's patent explosive for underground coal mines will also find markets abroad since it is the best explosive of its class. But underground coal mining seems to be on the wane in India and abroad and there could be limited scope to this.

Dayal wants to offer Orica facilities so that major research and development efforts are shifted here. He cites an example. IEL presently imports Orica's explosive computer simulation software. With India becoming a major software base, it could make sense to move development activity here. Dayal also sees scope for IEL becoming a major manpower source for Orica across the world. "Our people are now highly trained and known to perform. We just have to match the people, skills and the job," he says.

Dayal should know since he spent three years on secondment to the erstwhile explosives business of ICI London. He also says that IEL has been placed on top of ICI's worker occupational health programme and IEL plants are now considered among the best and cheapest in the world.

Critical in this entire game is the control over the primary raw materials. Diesel and fuel oils are commodities that are produced by the billions of tonnes and will be available freely. Ammonium nitrate, similarly, is produced in millions of tonnes each year. But explosives use a particular grade called prilled ammonium nitrate (PAN). Global technology and production is led by Orica and could become the key to the new IEL. But PAN is the largest value adder in the product chain and IEL's challenge is to build itself into something more than a sales office for Orica technology and explosives.

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Quick fixes are unlikely to save Hindustan Motors' terminally ill Uttarpara plant

Once the powerhouse of the Indian automotive industry that brought British automotive technology to Indian shores before independence thanks to the entrepreneurial spirit of G.D. Birla, Uttarpara today is on its last legs as a car manufacturing centre. In spite of a programme of modernisation costing Hindustan Motors a hefty Rs75 crore, the plant's woes continue. Not that it's a bad plant — the reasons for its decline are manifold. For one, the models it is being used to manufacture have themselves become relics of the past. The plant is also heavily overstaffed. The technology used and the everything-under-one-roof manufacturing practice is anachronistic in an age of outsourcing.

According to executive vice-president Ravi Santhanam, the company has put in 65 new dies to produce the 330 panels that make up the body of the Ambassador. The engine has been upgraded to satisfy new Euro II norms and will now be available with multipoint fuel injection (MPFI). Santhanam says the new body panels, a new surface preparation and paint shop, a new power tool assembly line, and an upgrade to modern seats, internal fixtures, and better air-conditioning will give the good old Amby a new lease of life. But that's being overly optimistic.

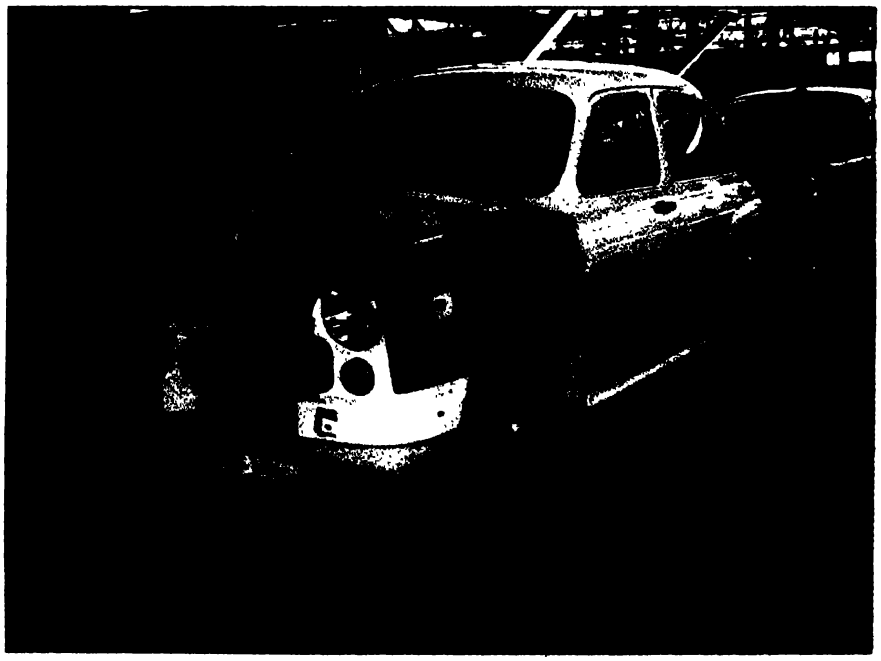
After a recent test drive, auto journalist Hormazd Sorabjee concluded that, as long as he didn't have to drive it, he was content to sit in the back seat and enjoy the view. Sorabjee adds that the car is not safe at any speed; it has 60kph brakes for a 120kph car, which won't please anybody in the back seat. The car has become Jurassic in comparison to the sleek, fuel-efficient models now out in the market. The Rs45-crore loss reported for this half-year isn't surprising.

Santhanam replies that the plant has low historical costs and therefore it remains competitive. About 85 per cent of the 1994 McKinsey Report on modernisation of Uttarpara has been implemented. The Uttarpara plant, he claims, is producing around 3,000 cars each month and has a healthy waiting list of 120. An annual production of 36,000 seems a bit of an exaggeration since the official target of the factory is 28,000 cars including a few thousand Trekkers and Contessas too, besides the CKD Bedford trucks exported to Bangladesh.



PHOTOS: GOUTAM CHATTERJEE

Santhanam says the infrastructure is perfectly suited for component manufacture



The Uttarpara plant is one of the few remaining integrating car factories in the world

Uttarpara, however, is ridden with a serious redundancy problem. "The wage bill forms about 22 per cent of the car cost at this plant. At our Mitsubishi plant it forms about 6 per cent," admits Santhanam. The plant employed over 14,000 people in its heyday and continues to employ almost 10,000. The point to note, however, is that Uttarpara produces almost the entire car except for some minor ancillaries, while the Mitsubishi plant is a set of 600 people who just assemble the Lancer with screwdrivers.

"It would be difficult to find such an integrated car production plant anywhere in the world any longer," he says. However, it is a fact that no auto manufacturer tries to make everything himself. "The gray iron foundry and the forge are an asset to the factory.

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Source: *IDC figures'99 (49.6% of the network operating systems sold last year were Windows NT Servers); *PC Quest Users' Choice Awards'99; *PC World Techies (Readers' Choice) Awards; *Computer Intelligence Inc., May 1998.



Hydraulic presses for body panels. Uttarpara also makes floor pressings for Mitsubishi

The existing infrastructure can be optimally used if HM turns itself into an auto component manufacturer," says a former senior executive with the company. Santhanam claims that the new dies and improvements in the massive 250-tonne hydraulic presses now make the body shop one of the best of its kind. The plant has begun to produce some floor pressings for Mitsubishi. Why not panels for other cars? "We are too far away from most automobile manufacturers for just-in-time deliveries. The infrastructure in West Bengal will not support such a relationship," he says. He finds it especially galling since he is perhaps the single largest taxpayer to the state coffers and pays about Rs350 crore in excise and other duties each year to the government.

Efforts to make the other lines of business pay seem to have failed. The Trekker formed the backbone of rural transport in at least three north Indian states for a couple of decades. But those markets seem to have dried up completely. Sales have dropped off by almost two-thirds to less than 800 a year. Santhanam unveiled a newly redesigned Trekker, which will now be available in 15 states. However, in a demonstration to journalists, it could not climb up the smallest incline and the future continues to be bleak, the new packaging and marketing push notwithstanding.

The Contessa has retained a die-hard following since the time it was first introduced in the 1980s. It was more comfortable and spacious than all other cars available then. Its highway qualities were excellent. An outdated body, poor mileage, and high cost have now relegated this preferred luxury car to pasture as more modern models enter the marketplace.

There seems to be a strong reluctance to use the Uttarpara plant for anything other than the Amby, Contessa, and Trekker. Asked why the plant could not produce the new rural transport vehicle (RTV) and other HM vehicles, Santhanam blamed poor industrial relations in the state and its distance from major automobile markets in the country. HM has over 700 hectares of prime industrial land between National Highway 1 and the two Delhi–Calcutta railway lines, the Main and Grand Chord. Besides, it is almost equidistant from the three bridges that connect Calcutta with Howrah.

No one seems to think that such prime industrial land could form the foundation of a massive modern industrial enterprise anymore. They seem to have just given up. Less discreet senior managers of the company confide that they think the Birlas ought to enter the real estate business in a big way, using this plant land as a starting point for a massive new urban township. They believe that, even if they paid off the workers and kept aside a hefty 50 hectares for the present plant, HM would be able to turn itself around.

That the Uttarpara plant is in dire straits is no secret. HM has been fighting the state government over its proposal to allow workers only a three-day week in order to conserve wage expenses. It has failed to retrench workers at anywhere near the rate it needs to. Santhanam admits that this plant does not need anything more than 3,500 workers. A desperate state government bent over backwards to give every incentive available to the company for its Rs75-crore spend on modernisation.

The state government seems to be aware that about Rs5,000 crore of investment in the automobile industry has chosen Chennai. There are also indications that the government is worried on another count. The Trinamool Congress, a BJP ally, has made strong inroads in the industrial "rust belt" on the west bank of the Hooghly, and the CPM-controlled trade union CITU has become more militant as it tries to defend its bastion from a new trade union putsch. The area is now ripe for a Datta-Samant-like character. HM's Uttarpara works are likely to be the battleground. In these circumstances it is unlikely the HM management will be able to push through a tough agenda.

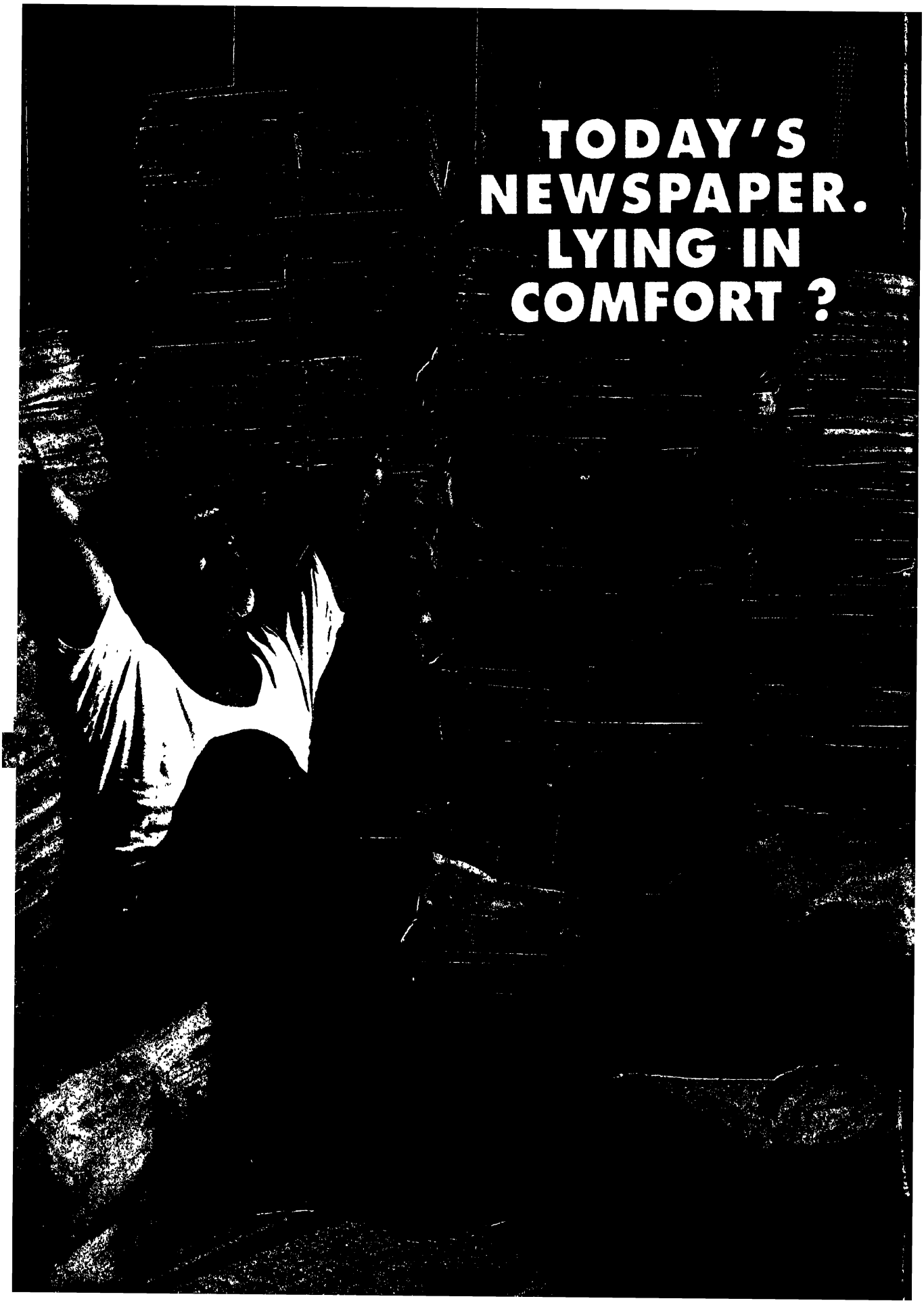
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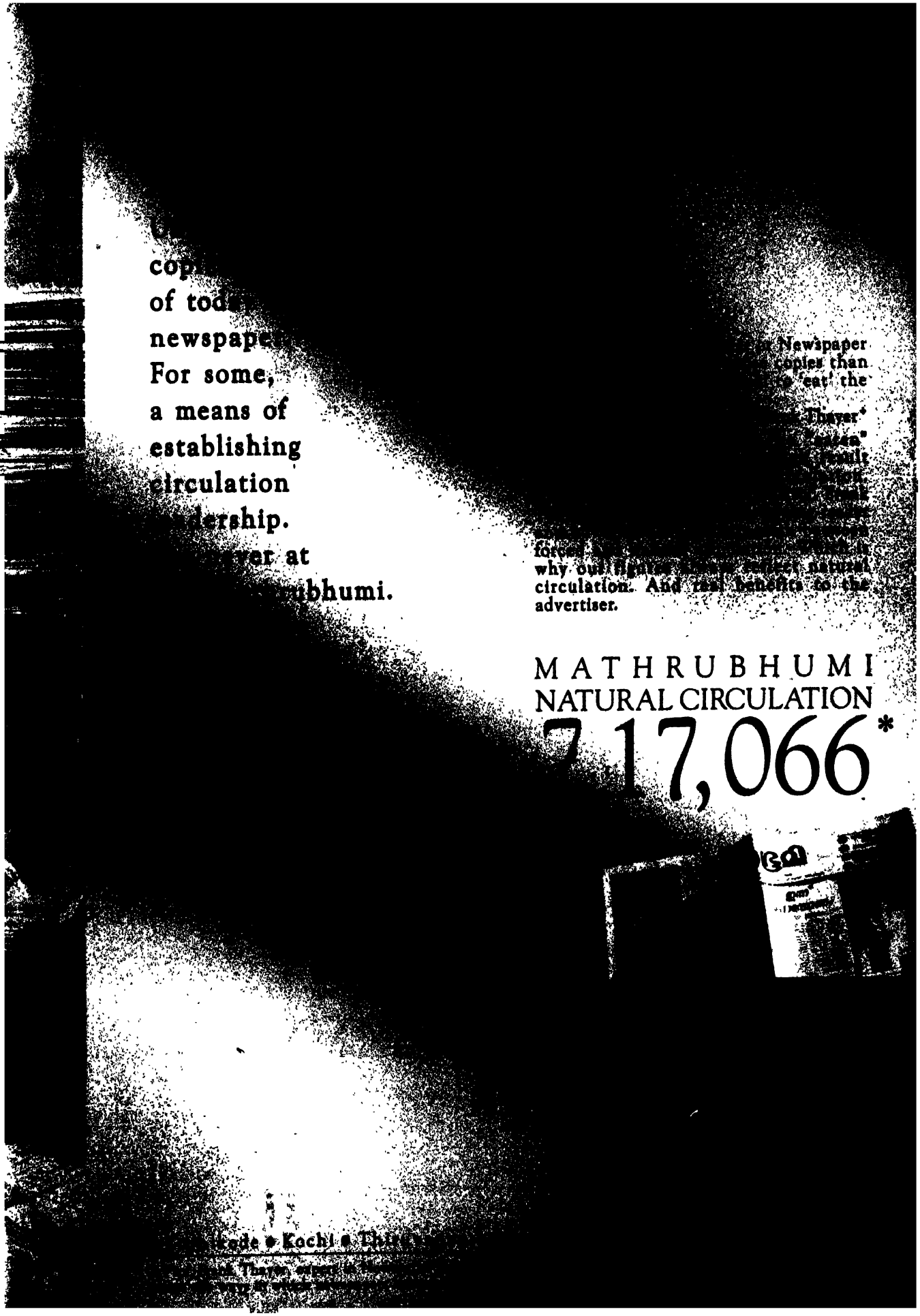
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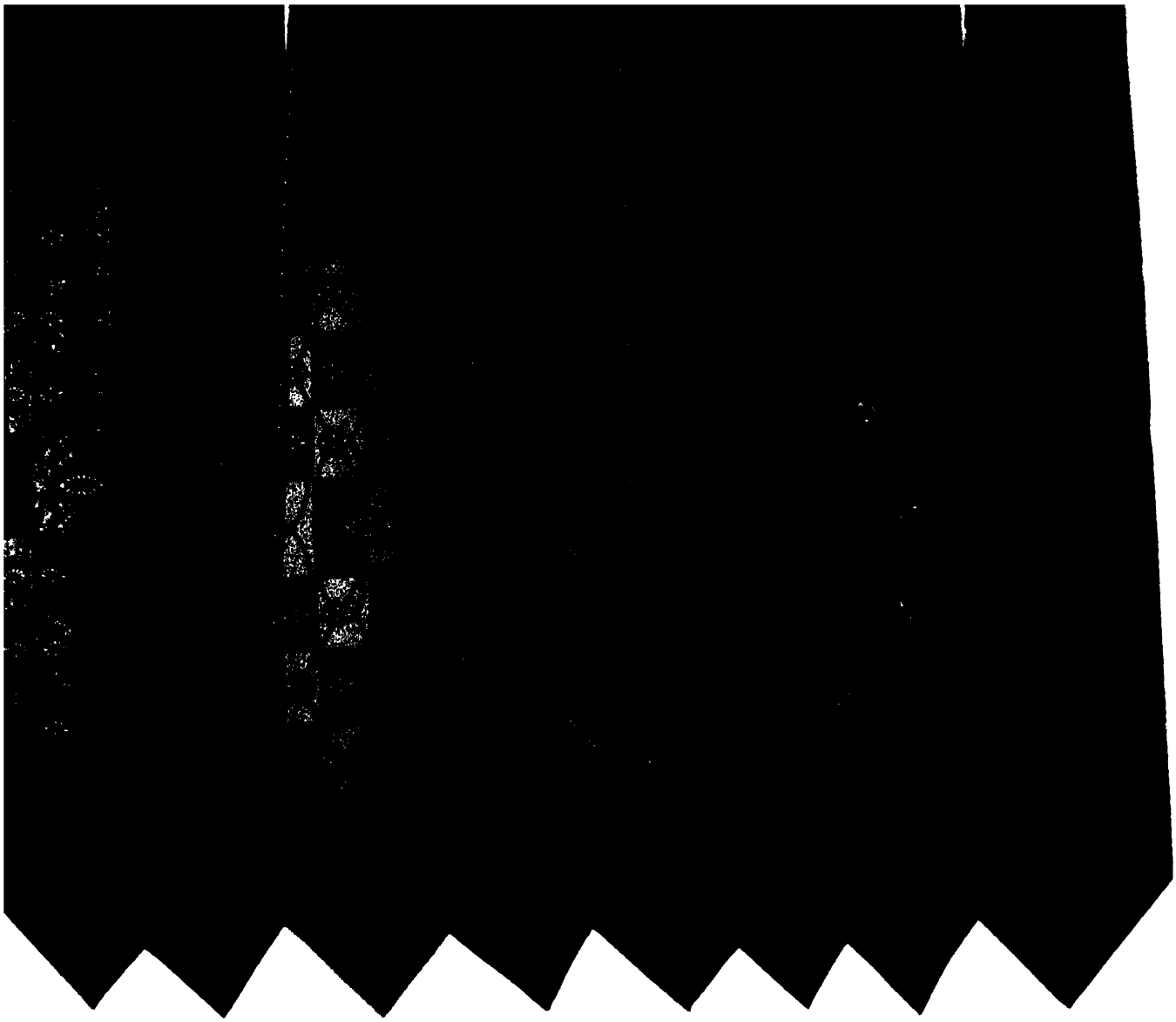
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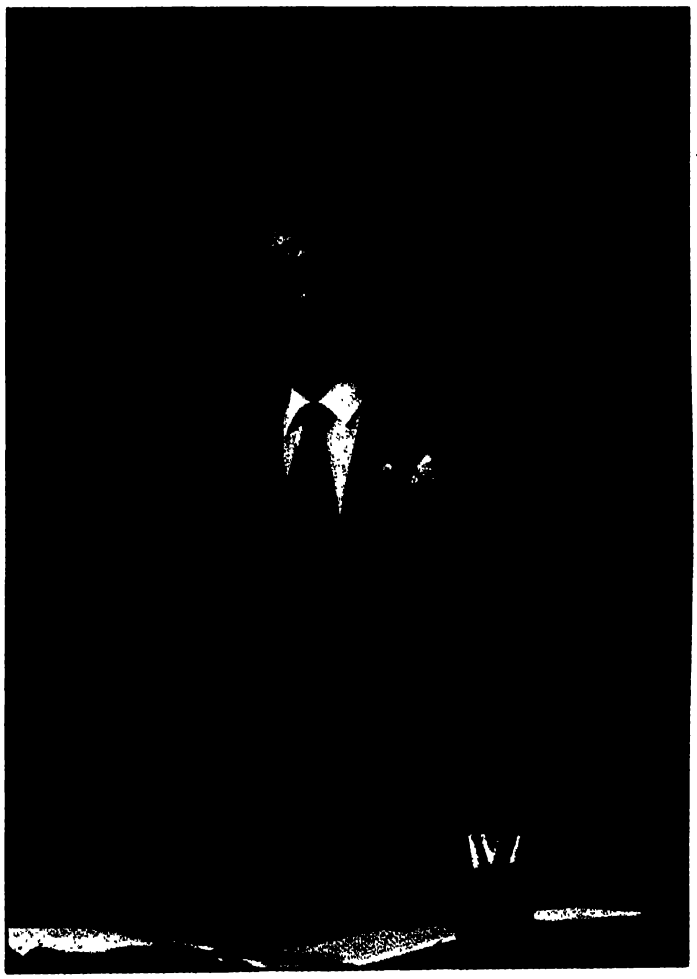
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A matter of preference

The RBI is seeking the Centre's approval to permit banks to issue preference shares in order to shore up their capital

An anxious look creeps into the eyes of bankers when you talk about shoring up capital for the risk-weighting of assets. CAR (capital adequacy ratio) is more than a three-lettered word in banking circles. It is not as if CAR is a dreaded word in banking corridors or that public sector bank chiefs have been caught on the wrong foot. In fact, all banks, barring Indian Bank, had met the stipulation of 8 per cent CAR of risk-weighted assets during the last fiscal. Besides, there are enough indications to suggest that most of them will achieve the enhanced CAR target (in line with the Basle norms) of 9 per cent by March 2000 and 10 per cent by March 2002 as stipulated by the Reserve Bank of India.



PHOTOS: PALASHRANJAN BHAUMIK

BoB's Kannan sees many advantages in preference shares

Then why are bankers keeping their fingers crossed? Banking circles are abuzz with talks that the RBI is seeking permission from the government for Bank of Baroda (BoB) to issue preference shares worth Rs300 crore with a maturity profile of five to seven years. So what's the big hullabaloo about? Because, this will be a landmark event.

Under section 12 (1)(ii) of the Banking Regulation Act (1949), "The capital of a banking company should consist of ordinary shares or equity shares or such preference shares as may have been issued prior to 1 July 1944." As a result, banks incorporated after 1944 were unable to issue preference shares.

Though nationalised banks are governed by the nationalisation Act — the Banking Companies (Acquisition and Transfer of Undertakings) Act (1970) — and some sections of the Banking Regulation Act, including section 12, are not applicable to the nationalised banks. However, the RBI, in order to restore parity in the banking sector, did not allow banks to issue preference shares.

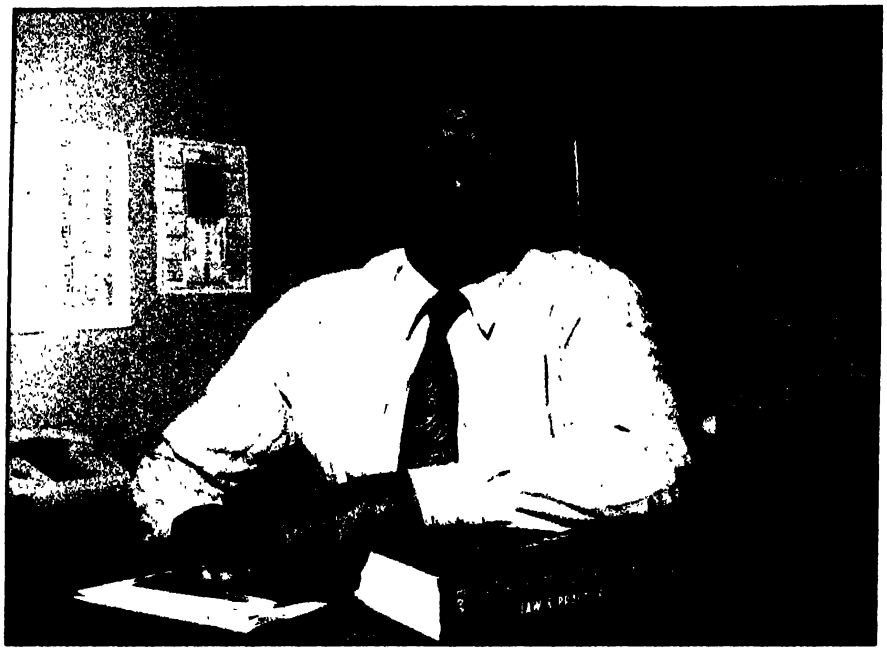
Says BoB chairman and managing director K. Kannan, "Yes, we have a requirement of Rs200 crore to Rs300 crore for boosting our CAR in line with the growth of our business this fiscal. However, we have not applied to the RBI for issuing preference shares *per se*. But we are talking to the RBI that we should be given the flexibility to decide on the type of the instrument for raising capital. One of the instruments suggested is redeemable preference shares."

What is worrying banks is that they have very few instruments of raising resources to shore up their capital, thanks to antiquated regulations. Consequently, they cannot optimise their capital cost. RBI is putting a downward pressure on lending rates ostensibly to engineer an industrial recovery and simultaneously tightening the screws on the banks to shape up. But when it comes to raising funds for their capital requirements, the rates tend to shoot northward and the avenues of raising capital are limited.

Banks have the flexibility of raising capital either through the Tier-I or Tier-II route. Equity capital and free reserves less intangible assets and investment in subsidiaries constitute Tier-I capital. Banks are also permitted to boost their CAR through the Tier-II capital route. This can be done by issuing subordinated debt papers, hybrid debt instruments, and cumulative perpetual preference shares or through revaluation of the reserves.

However, with the primary market barely showing any signs of revival, banks hardly had any option of building up their Tier-I capital via equity. Lack of appetite for banking stocks can be seen from the fact that three banks — TimesBank, Centurion Bank and Syndicate Bank — issued their shares at par value. Hence, right through 1999, banks were left with the other option of issuing subordinated debt to increase their Tier-II capital to achieve the magic mark of 9 per cent CAR by March 2000.

But there was no depth in the retail debt markets either. So, in the haste to



Ravikumar of ICICI Bank points out the limitations on subordinated debt issues by banks

meet CAR targets, the entire capital-raising exercise took the form of incestuous investments – crossholdings of paper amongst the banks. This factor kept interest costs high. Banks issued bonds with maturities ranging from five to seven years at interest rates in the region of 13.75 to 14.5 per cent. Compare this with the average prime lending rates (PLR) of the nationalised banks in the region of 12 to 13 per cent this fiscal.

Crippling rules

But the cost factor does not end here. As per RBI norms, Tier-II capital via the subordinated debt route stands reduced by 20 per cent each year for the computation of capital adequacy and the bank has to make provision for CRR and SLR for the amount so reduced. The net impact results in an increase in the interest cost from 14 per cent to around 16-17 per cent over a five-year period.

With high costs in a falling interest rate regime there are few takers for subordinated debt paper. Says K.V. Krishnamurthy, CMD of Syndicate Bank, which tapped the primary market last month, "The IPO will increase the bank's CAR to 10.5 per cent. However, considering the assets growth for this year, the bank might need another Rs50-60 crore for CAR purposes. However, I am not in favour of a subordinated debt issue as the cost is just too high. Instead, I'll prefer revaluing my reserves which will suffice the requirement."

What is worse is the fact that there is a limitation for subordinated debt issue. Says P.H. Ravikumar, senior executive vice-president of ICICI Bank, "As per the RBI regulations, Tier-II capital for purposes of CAR cannot exceed 50 per cent of the Tier-I capital. Further, CAR weightage for subordinated debt cannot exceed 50 per cent of the risk weightage eligible for Tier-II capital." What this means is that for attaining a minimum CAR of 9 per cent, the contribution from Tier-I capital has to be a minimum of 4.5 per cent and the risk weightage from the subordinated debt issue should be 25 per cent of total CAR or 2.25 per cent.

Adds Kannan, "The advantages of preference shares are many. First, it does not dilute the holding of the government. Second, there are no voting rights attached to this instrument — so the government need not fear losing control of the bank." Besides, the cost is far less in comparison to subordinated debt. Lastly, the dividend is exempt from tax deduction at source (TDS) for the investor. Hence, banks can tap the retail market unlike subordinated debt that gets confined to inter-bank market.

Bankers point out that the government has enough powers under section 53 of the Banking Regulation Act to make amendments to any of the provisions at the recommendation of the RBI. For once, the banking sector is happy at the efforts put in by the RBI to convince the government on the amendments needed in the various statutes is giving some comfort to the bank heads. "It is commendable that RBI is making efforts to introduce the best global practices in India. But it is rather unfortunate that the RBI is unable to implement the entire gamut of prudential norms and give banks operating in India a level playing field. The RBI has accepted the criticality of the need of preference share issues," says a senior executive with a Mumbai-based nationalised bank.

However, the issue is not as simple as it appears — it stretches beyond banking to the amendment of the Indian Companies Act (1956) as well.

Internationally, the Bank for International Settlements (BIS), Basle, has recognised preference capital as an important constituent of capital and has accepted it for capital adequacy purposes.

Says Ravikumar, "In some developed countries, the preference share is in fact eligible for Tier-I capital as they can issue perpetual or long-dated preference shares. In fact, even the RBI guidelines on capital adequacy recognise irredeemable preference shares as Tier-I capital. However, under the Indian Companies Act (1956), it is not possible to issue preference shares in excess of 20 years."

It is the characteristic of the instrument that determines whether it can be included as part of Tier-I capital or Tier-II. For Tier-I purposes, the instrument must have superior loss-absorption capacity. Hence, preference shares which are perpetual and have non-cumulative dividend payout are qualified for Tier-I as they are quasi-equity in nature.

Over the past decade, RBI has beefed up the banking sector by introducing internationally prevailing norms. It's time the government woke up and did its part.

♦ROHIT RAO

Art facts

A company that's set a trend in the retailing and export of exquisite home furnishings



PRAKASH JADHAV

Zeba has more than just furnishings to offer, says Amin

If you are in Pune and are looking for arty stuff to adorn your living rooms, there's only one place to go — Nirmitee. The store not only sells exclusively designed wooden and wrought-iron furniture, but also wooden and stone artifacts, handicrafts, exclusive ceramic crockery, designer cane furniture, and a host of similar products. Started almost 15 years ago by Prakash Morey, himself an interior designer, Nirmitee has two showrooms on Law College Road close to the Film and Television Institute of India. It's not rare to see the likes of the Kirloskars, the Kalyanis, the Firodias *et al.* drop in to shop here. "Mercedes-Benz, BPL, Bajaj, and Mahindra British Telecom are also my clients," says Morey.

Recently Nirmitee tied-up with a Mumbai-based company called Zeba, which retails and exports a wide variety of hand-tufted carpets, handloom cotton dhurries, designer bedcovers, mats, upholstery, cushion covers, and a range of exclusive home furnishing textiles. Sujata Amin, Zeba's business manager, says: "Ours is a Rs20-crore company with almost Rs15 crore worth of exports and Rs5 crore of retail business in the domestic market. The company has three divisions, namely, carpets, textiles, and the India Division. We have our own design studio in Mumbai with six designers working exclusively for us. We create about 200 designs a year and send it to our manufacturing centres — Mirzapur for carpets and Coimbatore for textiles. We buy our own yarns and dye and design them in-house."

Zeba currently has 17 franchisees which retail its products across the country. Among them is Khazana, the designer stores of the Taj Group. Zeba supplies six branches of Khazana, including those in Delhi, Chennai, Calcutta and Goa, and has a tie-up with Shoppers' Stop in Mumbai, Hyderabad, and Delhi. "We have also tied up with the Crossroads, an outlet belonging to the Piramal group, which is launching our products through their store," reveals Amin. Besides, Zeba has franchisees in Ahmedabad, Cochin, Chandigarh, Surat, and now in Pune.

Zeba, according to Amin, doesn't just sell furnishing but concepts, and offers a lot of add-on services free of charge. When a customer walks into any of its stores and asks them to recommend a particular design or colour, the staff produce what is known as 'mood boards', a kind of catalogue of design combinations. "Our designers will even visit your houses and suggest exclusive designs and colour schemes suited for individual houses. All free of cost," she adds.

Zeba's carpet designs are theme-based – wildlife, tribal, marine – and for house furnishings there are earth, nature, and spring collections. "What's more, all our products come in a wide variety of designs and colours, and also in a wide range of affordable prices. For example, our bedcovers range from Rs485 to Rs1,385." According to Morey, one reason why he tied up with Zeba is that its wares are very reasonably priced compared to say Shyam Ahuja's collections. "Besides, they are very conscious about their designs and they have matching co-ordinates. Their products are a perfect foil for our products and are complementary to them."

Zeba keeps changing designs in tune with national and world trends. Soon it will get into designer crockery and is already selling hand-painted pots, lamps, and a host of other handicrafts. It plans to increase its retailing business in India and abroad and is looking at a turnover of Rs30–35 crore in the next two years. "We plan to have 50 retail stores all over India by the end of 2001," says Amin "We have stores in the UK and Japan, and we are shortly opening one each in Vancouver and Dubai." She adds that Zeba products have already been selling in the US and Europe through chain stores and mail order catalogue companies like Pottery Barn, Spiegel Inc, and Newport Manor in the US, Otto Versand and Bon Prix in Germany, and Kaleidoscope and Grattan plc in the UK, for several years.

•ROOP KARNANI

Uncorking a new market

Moët-Hennessy is aggressively promoting its champagne and cognac brands in India

What's common between Ratan Tata and Anil Ambani? Apart from running the country's biggest industrial empires, the two industry honchos are also among the country's foremost buyers of Dom Perignon the best-known brand of champagne in the world. Clinking glasses with them is Parmeshwar Godrej, the wife of yet another industry leader Adi Godrej; said to be, the single-largest buyer of this pricey bubbly in India.

In the next six months, Tata, Ambani and Godrej could have at least a couple of hundred others raising a toast with them. For, Moët-Hennessy Asia is all set to make its flagship champagne brand, which costs anything between Rs8,000 and Rs15,000 per bottle and is now available mostly in five-star hotels, a habit with the more than 20 lakh super-affluent Indian households. According to the NCAER these households have a monthly family income above Rs5,00,000.

But it won't be just the Dom Perignon brand that Moët-Hennessy, the company behind it, will be promoting here. It will also induce a taste for one of its relatively cheaper but popular champagne brands, Moët & Chandon (five-star hotel price: Rs3,500-5,000 per bottle). Besides, it will ensure that a large number of upwardly-mobile young Indians also sip Hennessy cognac (five-star hotel price: Rs200-800 per peg), as they puff on their after-dinner cigars.

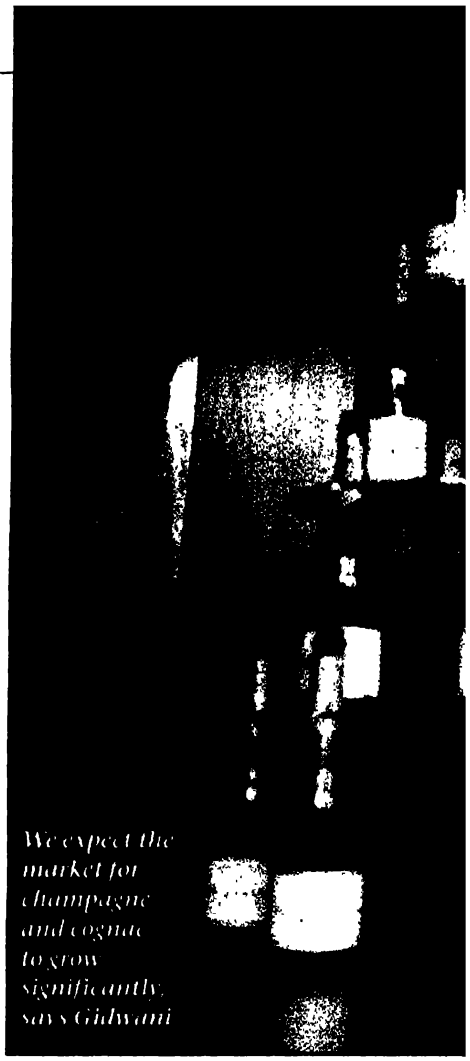
There will also be a wide array of French, Australian and Californian wines to choose from; Moët-Hennessy's portfolio is in the process of being finalised. "Right now, the market for champagne and cognac is negligible in India. But, we expect it to grow significantly in the next couple of years," says Moët-Hennessy India chief representative and commercial director Pradeep Gidwani.

Indeed, the Indian market is essentially a scotch whisky and beer market. Annually, scotch sells nearly five lakh cases in the country. In contrast, champagne sells only about 3,500 cases which amounts to estimated annual sales of Rs38 crore. The market for cognac is even smaller at 3,000 cases or sales of Rs25 crore annually; of this, Moët-Hennessy brands perhaps account for over 70 per cent share with Remy Martin following behind.

Moët-Hennessy belongs to the FR 48 billion Louis Vuitton Moët Hennessy (LVMH) group, which is described as one of world's largest luxury goods companies. The LVMH group has four business interests in wines and spirits, fashion and leather goods, fragrance and cosmetics, and retailing; Givenchy perfumes, Christian Dior cosmetics and Tag Heur swiss watches are some of the brands in its kitty. Besides owning Cognac brands Hennessy and Hine, LVMH is also the global leader in champagne with brands such as Dom Perignon, Moët & Chandon, Vevue Clicquot and Pommery. Group champagne houses also produce still and sparkling wines in the US, Europe, Latin America, Australia and New Zealand.

So, exactly how is Moët-Hennessy planning to establish itself in India? How will it influence scotch drinking and beer guzzling Indians to sip champagne and cognac for a change? Is it by associating a certain image and lifestyle with these drinks, just as cigarette companies do with their brands? Or, is it by introducing products at various price points within the premium segment so that it induces greater trials? Well, a bit of both. "In India, the scotch market is all about brand marketing but in the categories that we are in, we are talking about the concept of drinking rather than specific brands," says Gidwani.

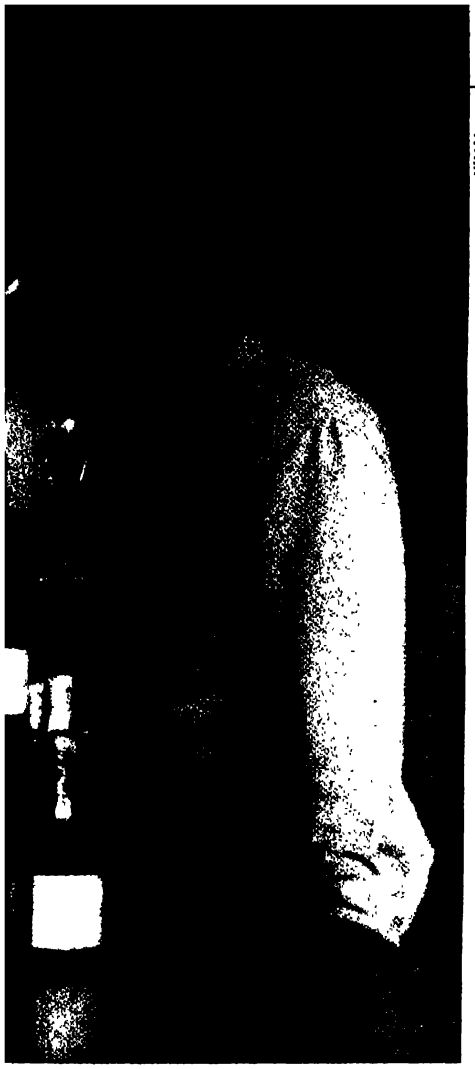
On what occasions must one drink a flute or two of champagne? When should one pour oneself a peg of cognac – during or after dinner? How does one mix the drinks? How does one hold the shaker? Which kind of glasses go with these drinks? What quantity of the drinks must be poured in one go? What kind of food goes with these drinks? These are some of the questions that Gidwani is addressing in his sales pitch across the country.



We expect the market for champagne and cognac to grow significantly, says Gidwani

In the next 15 months, Moët-Hennessy will follow a four-pronged strategy to grow the market for champagne and cognac. First, it will ensure that the product is easily accessible – both in price and availability – through a proper distribution system. In fact, no sooner than Moët-Hennessy had opened office in April this year, it appointed distributors in five Indian cities – Delhi, Mumbai, Calcutta, Chennai and Bangalore.

These distributors will take orders from the customers (hotels are, by far, the biggest buyers of champagne and cognac), source the requirements directly from the regional Moët-Hennessy warehouse in Singapore, and store the stock in their own warehouses in the respective cities. Alongside, Moët-Hennessy will educate affluent



VIVAN

Indians on the fine art of drinking and spread brand awareness.

In champagnes, Moët-Hennessy will follow a dual branding strategy. Brut Imperial, one of the seven varieties of champagne that exist under the Moët & Chandon umbrella worldwide, will be used to penetrate the market and induce trial. The more upmarket Dom Perignon will woo connoisseurs, by simply being displayed at the appropriate events such as embassy get-togethers, fashion shows and high-society bashes.

The dual strategy is based on Moët-Hennessy's own in-house research which indicates that most Indian consumers fail to distinguish between sparkling wines and champagnes. Also, there is complete lack of awareness about the fine art of drinking champagne. For many aspiring champagne drinkers, it's still too pricey. "We decided to start with the very basic variety, and gradually upgrade," says Gidwani.

In an attempt to break the price barrier, Moët-Hennessy will soon begin a champagne-by-the-glass promotion in various hotels in Delhi and Mumbai, the two largest markets for champagne in the country. The promotion will be enacted somewhat like this. As an unsuspecting guest settles down for a sumptuous five-star meal to celebrate a birthday, anniversary, engagement or a business deal, there will be attractive Moët & Chandon point-of-purchase items on the table enticing him to raise a toast with champagne – it could be a table display, or an ash tray, or a menu holder. Or, even an ice bucket strategically placed at the adjacent table. Once his curiosity is aroused, the waiter will cajole the guest to try a glass of Brut Imperial for Rs600.

Luring customers

As part of the promotion, Moët-Hennessy will also provide the hotels with bottle re-sealers so that the taste of the drink stays intact even after a portion has been poured out of it. Each bottle can fill up to six glasses. "Volumes are expected to surge with this promotion," says Gidwani.

Besides tackling the price issue, Gidwani is also trying to position champagne as the ideal drink with spicy Indian food. In August, he kicked off this campaign with a food and wine festival at Delhi's Radisson Hotel where culinary expert Jiggs Kalra turned out delectable north Indian cuisine, as champagne flowed and music played. Subsequently, Indian food also featured prominently on the menu of yet another food and wine bash at the Ritz Carlton Hotel in Singapore.

The strategy for cognac will be slightly different. That's because while champagne drinking is not a new concept in India, cognac is not so popular yet. So, Gidwani's primary task is to include cognac in the Indian drinking repertoire and, in the process, build an awareness about the Hennessy brand. Unlike in the case of champagne, Gidwani is promoting three variations of Hennessy cognac here, at three price points, to induce greater trials. The X.O. is the most expensive (price: Rs500-800 per peg), and is served on the rocks. Normally associated with cigars, the Hennessy X.O. is being offered in India to a select clientele over specially-arranged cognac and cigar dinners at five-star hotels.

The V.S. (price: Rs200-300 per peg) and V.S.O.P. (price: Rs250-450 per peg) variations of Hennessy cognac are both targeting the youth. Just as in the US where Hennessy V.S. is served as a tall drink, mixed with ginger ale and tonic, in fashionable bars, here too Moët-Hennessy is carrying out sampling exercises at hangouts like Thank God It's Friday.

As Gidwani talks champagne and cognac, the former vice-president (sales and marketing) of Australian beer-maker Foster's India is clearly laying ground for the future. Year 2001 to be precise when alcohol imports will likely be allowed . Once that happens, Moët-Hennessy can sell its own products directly here. Today, champagne and cognac largely sell through duty-free shops and local bootleggers. In addition, about 300 hotels that have the licence can import its products. The reason is that, unlike scotch whisky, these drinks cannot be bottled here; globally, they are made only in particular districts of France and then shipped to the various Moët-Hennessy warehouses around the world.

Besides the WTO agreement, Gidwani is also banking on a new taste that is developing among alcohol aficionados in India. In a scotch whisky and beer-dominated country, Indians who've travelled abroad in the last couple of years have been found to be increasingly open to other categories of drinks rather than sticking to their age-old favourites. And, though it's still like a drop in the ocean, sales of champagne and cognac are actually growing. Guesstimates are that for every 20 bottles of scotch or beer being bought, at least one bottle of champagne or cognac is getting picked.

The marketing director of a multinational liquor company says that while all this is very well, the fact is that "alcohol like cigarettes, is a matter of individual taste. Champagne and cognac are not part of the regular drinking repertoire of Indians. Changing that will take time." So Gidwani has to ensure that he follows up on his frothy plans by delivering substance.

◆ MAHASWETA GHOSH ROY

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The balancing act

Now a niche player in India, global management firm Renaissance is stepping up the pace

"Resistance to change is a phenomenon across the world. The problem in India is the lack of ability to manage change," says Sanjiv Anand. As head of India and Middle East at Renaissance Worldwide, the $1-billion global management and information technology consulting firm, Anand is one of the growing ranks of consultants attempting to transplant Western management fix-it models here. With Indian industry in the throes of restructuring, the market is ripe, feels Anand even for a niche outfit like Renaissance.



UDAYAN GOSWAMI

The Indian market is ripe for a niche outfit like Renaissance, says Anand

The firm is not exactly a rank newcomer. "We are not perceived as newcomers to the market as our depth of knowledge on India is quite significant on account of the fact that we have been assisting our international clients in India through our Hong Kong office since 1987," says Anand, who was a director in the US telecom practice of Renaissance based in New York before he returned to India in 1991 to set up his firm's Indian flag. Renaissance set up a wholly-owned subsidiary in India in early 1998.

So how does Renaissance position itself *vis-a-vis* the major management consultants already established in the domestic market? "As a strategy formulation and implementation firm with a strong focus on implementation," says Anand. As it does globally, Renaissance will flash the Renaissance Balanced Scorecard as its USP in the domestic market as well. And what is the Balanced Scorecard? It is an approach developed by Renaissance founder David Norton and Prof Robert Kaplan of the Harvard Business School to help companies formulate effective strategies as well as implement them, the emphasis being on long-term goals rather than just short-term ones. In effect, the aim is to help a company develop its own vision.

According to Anand, studies have shown that less than 10 per cent of strategies effectively formulated are effectively executed, while 67 per cent of reengineering efforts achieve marginal or no results. This, he says, happens on account of four critical barriers – the vision barrier (where people who have to implement the strategy don't understand it themselves), the management barrier (the management systems are designed for operational control with little time spent on strategy), the operational barrier (budgeting and strategic planning are kept separate) and the people barrier (personal goals, incentives are not aligned with strategy).

Renaissance, with the help of the Balanced Scorecard, provides the "missing link" in strategy implementation, says Anand. The Scorecard helps a company draw up a system of linked objectives, measures, targets and initiatives, focusing always on the company's shareholders, customers, and its internal and learning requirements. To begin with, the Scorecard helps identify and prioritise around 15-20 objectives, arrived at in consensus with senior company managers. Once the strategy has been agreed upon, initiatives needed to translate the strategy into action are spelt out.

The next stage involves what is called 'cascading' and 'mobilising'. "Very often the strategy does not go beyond the boardroom so that people at the lower levels are not aware of it," says Anand. To link the boardroom to the backroom, individuals at each level are made aware of the strategy and their role in it. Finally, the Scorecard lays down performance measures by which stock of the progress on the implementation front can be taken.

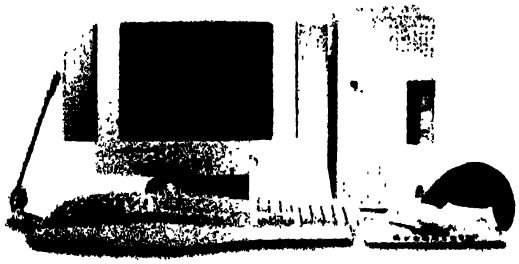
Completed, the Scorecard lays out all this on just one sheet of paper. "It is comprehensive and doesn't run into pages as corporate strategies usually do. The Scorecard presents your corporate view on a single sheet of paper," says Anand. "Another advantage of the Scorecard is that it offers a structured strategy that is personality independent. This is particularly beneficial in a country like India where there's a great deal of inconsistency in managerial competency," he adds.

The Indian outfit has already used the Scorecard for strategy formulation and implementation at Godrej-GE. Renaissance has also worked out a business process reengineering project at American Express Bank for making the latter more cost efficient and business focused, leading to the by now famous staff reduction. BPL Mobile and Usha Martin called in Renaissance to develop their customer and market service strategy, respectively.

Globally, Renaissance also specialises in M&A and JV consultancy. In India, too, during the initial years, Renaissance helped companies seeking entry into the country find the right JV partner, such as that between Boots and Piramal, in one example. It also drew up the India entry strategy for Sara Lee as well as its acquisition of Nutrine Biscuits. "But now we want to shift from being entry strategists and look at implementation at the ground level," says Anand. "Right now, we have a dozen assignments for this year. We are looking at more," he adds. Tough call for a niche player in a Big Six dominated world.

•SANGEETA MENON





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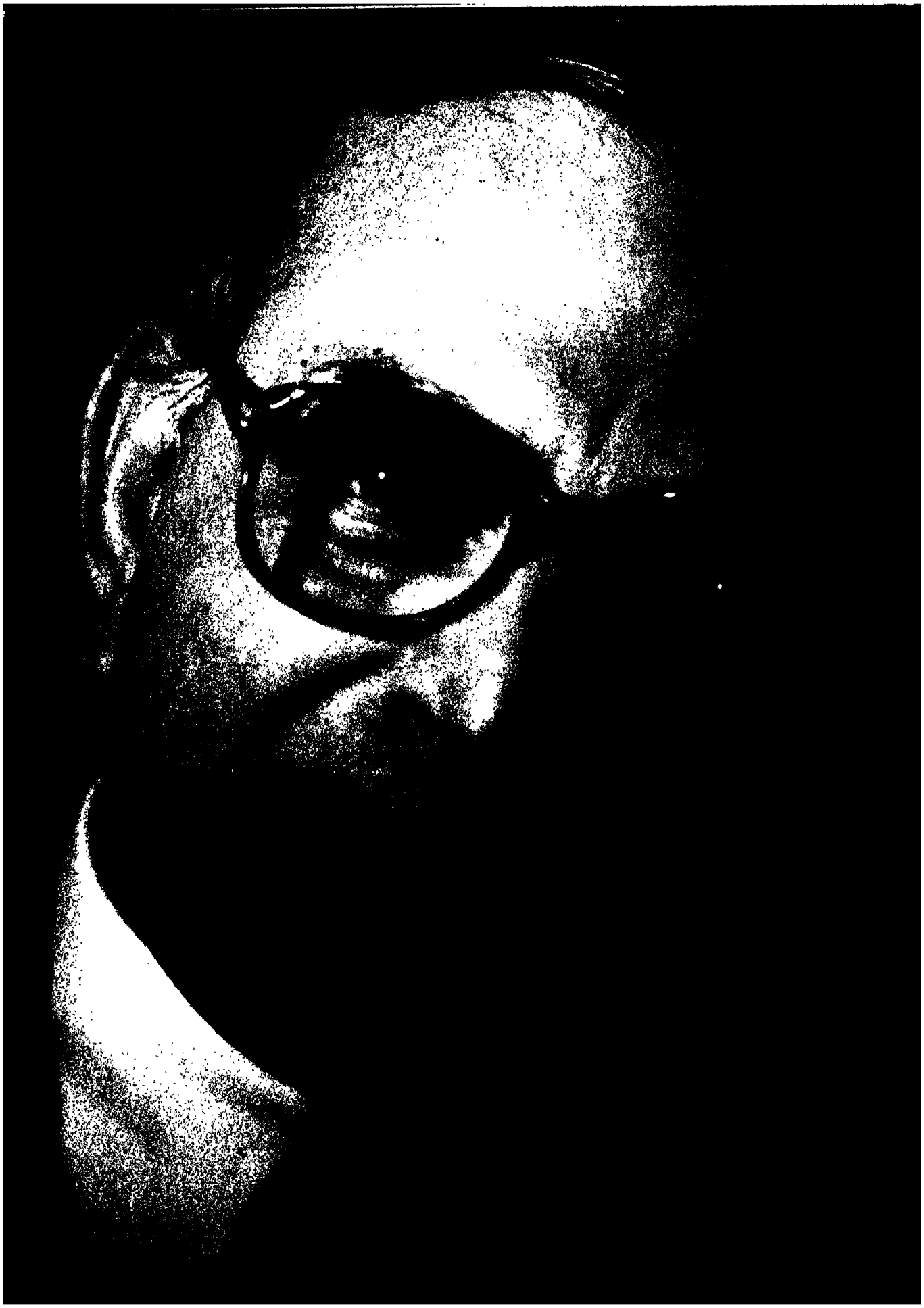
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Y2K AT A GLANCE

Neighbours' envy, workers' pride

Getting celebrities to visit the shopfloor is proving to be a great motivational tool at Alfa Laval

Management gurus all over the world have devised umpteen techniques to raise levels of employee motivation, but what Satish Tandon, MD of Alfa Laval (India) Ltd, has tried out in his company is not a classroom technique or one you'd find in any textbook. Yet, judging from the results, his method has worked like magic.

It all started last August when Alfa Laval India Ltd (ALIL) embarked on a major corporate image-building campaign, as a part of which it organised a golf tournament in Delhi called the Alfa Laval Ambassador's Cup. Tandon, himself an avid golfer, roped in 12 popular cricketers from all over the world including Lance Klusener, Ajay Jadeja, and Alistair Campbell. The three-day event was a great success and gained the company tremendous mileage. At the end of the tournament Tandon casually extended an invitation to Ajay Jadeja to visit ALIL's Pune factory for just a few hours, and to his great delight Jadeja readily agreed.

"The idea of calling Jadeja to our plant was to give the workers a chance to meet a celebrity in person. People like me and our top executives get to meet celebrities whenever we sponsor an event like the Ambassador's Cup, which was held in Delhi. But our workers only see these celebrities on TV. It's a once-in-a-lifetime opportunity for them if they actually get to meet and be able to shake hands with them," says Tandon.

What's more, even Jadeja liked Tandon's idea and, during his visit to the plant at Dapodi, he broke the security cordon and mingled freely with the staff. Tandon also quickly made arrangements to ensure that each one of his 500 employees got to shake hands with the cricketer and that all of them (in groups of 10) were photographed with him. Later Tandon requested Jadeja to autograph every photograph and these were framed and presented to each employee. And now most workers have proudly adorned the front rooms of their homes with a large autographed picture of themselves with Jadeja.



Sushmita Sen was a big hit with the workers and their families

Seeing the success of this spontaneous move, Tandon egged his employees on to perform better, promising that if the company did show an improvement in performance they would be rewarded with another such event. True enough, ALIL's net profit for the half-year ended 30 September shot up more than 100 per cent.

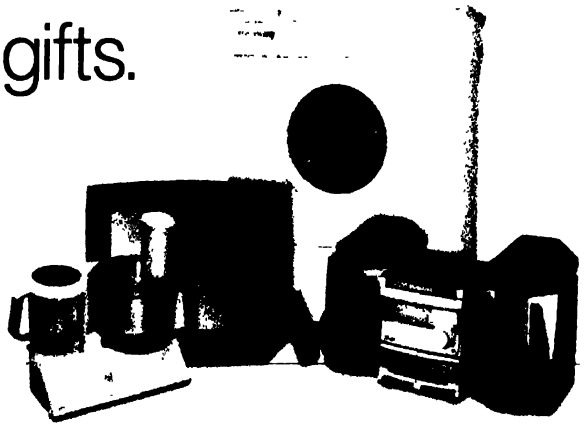
"There is now a definite change in the attitude of the workers. There is a sense of urgency among them. They all want to contribute that much more and achieve every bit extra," says vice-president (manufacturing) B.B. Mishra. Seeing this change, Tandon decided to call yet another celebrity, this time from the glamour world of Bollywood. The person he chose was former Miss Universe Sushmita Sen, who visited ALIL's Pune factory last month. This time even the workers' wives and children were invited for the big event. Sushmita spontaneously gathered the workers' children in her arms so that they could be photographed with her, and literally charmed the workers and their families for over four hours. After it all she said, "I have never visited an industrial unit before. I was impressed by the cleanliness and sophistication, and I learnt a lot. The employees were very disciplined and I thoroughly enjoyed myself with them and their families." And like the earlier visit, the company made arrangements to get all the employees photographed with Sushmita, in groups of 10.

A.P. Retharekar, president of the Alfa Laval Kamgar Union, says: "There's a definite feeling among the workers that the management really cares for even the lowest employee. This has created a new enthusiasm in them. Besides, this news is spreading fast in the neighbouring companies and this could well set off a trend. Our photographs with Jadeja and Sushmita have become our neighbours' envy."

Tandon now plans to make such celebrity visits to the shopfloor a regular feature. "Besides increasing employee motivation and loyalty towards the company, we expect that our employees will imbibe some of the winning qualities of these celebrities," says Tandon. For that a handshake alone is not enough. And then, the workers could also end up with celebrity fatigue.

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In a rare case of convergence, digital technology inside TV sets brings not only exciting new features to consumers but also easier and more reliable manufacturing to TV makers



PHOTOS: PALASHRANJAN BHAUMICK

Digital technology has increased productivity in TV manufacturing, says Mirchandani

Consumers in India may not have achieved Negroponte's *nirvana* of 'Being Digital', but are slowly tasting the fruits of the digital revolution. If you are skeptical, just recall that colour seeped into your drawing rooms 17 years ago with the Delhi Asiad.

Three-four years after colour came the ease of the remote control, which has become a must in the 1990s, with the satellite and cable TV explosions. Along with it came on-screen display for adjustment of colour, contrast, brightness as well as audio parameters like bass, treble, etc. As audio circuits improved stereophonic balance, surround sound and other features crept in. The irksome manual tuning was replaced by auto tuning facility.

Today you can individually customise each channel's video and audio qualities. This is useful because one finds, for example, that the audio is at a comfortable level in one channel but either too low or too high for another with the same settings. Similarly, what started as a curio called picture-in-picture — that is two-channel viewing on the same screen with one large and one small picture — has now led to the split screen. With competing programming in the same time slot, the new TVs can now provide preview of four to 16 channels so that at any time one can see what is going on in all these channels simultaneously and then choose one. With a little built in memory pretty soon the day's TV guide for all channels can be viewed on one channel.

It was not so far back that one used to see "snow" on the screen caused by noise. One no longer sees this phenomenon because the new circuitry suppresses noise. Similarly "ghosts" — double images — have also been busted. They used to be caused by signals reflected from large structures arriving at different times — "multi path" problem in electrical engineers jargon. A new circuit corrects such signals.

The most surprising thing is that with all these great features surfacing in the television, the prices have been continuously falling instead of rising. The fall is even more dramatic if one takes inflation into account. For example a 21" CTV was available in 1985-86 at about Rs10,000. Today, a much more powerful model is available at about Rs13,000 (the Consumer Price Index has risen from 100 in 1982 to 461 in March 1999 in Mumbai). Something akin to Moore's Law on computing power seems to be operating, albeit quietly, in consumer electronics. The point of convergence is, of course, digital electronics.

However, what is not so well known is that in digital technology there is a rare case of confluence of interests. Not only consumers but even manufacturers are elated by this technological development in the era of increasing competition and falling margins. "The new technology has increased productivity in TV manufacturing by over 25 per cent by cutting down manufacturing time," says Gulu Mirchandani, chairman and managing director of MIRC Electronics (makers of Onida).

Naveen Mandhana, technical executive director of Videocon International, agrees. Mandhana cites several reasons: "The number of components to be placed on a PCB is reduced, say, from 3,000 to 2,500, since several circuits are increasingly put on a single chip. This allows for more automation and hence saves time. Moreover, those components which had to be manually inserted are reducing in number. This not only reduces the number of people required on the assembly line but the number of faults as well." Adds Mirchandani, "It is much easier to check alignments and run testing programmes in digital technology, which saves a lot of time and improves quality. Things will be even better when the Chroma IC, which is the heart of colour in the TV and the Micon (micro controller chip) are combined into one chip."

The new technology also cuts down mundane things such as connecting

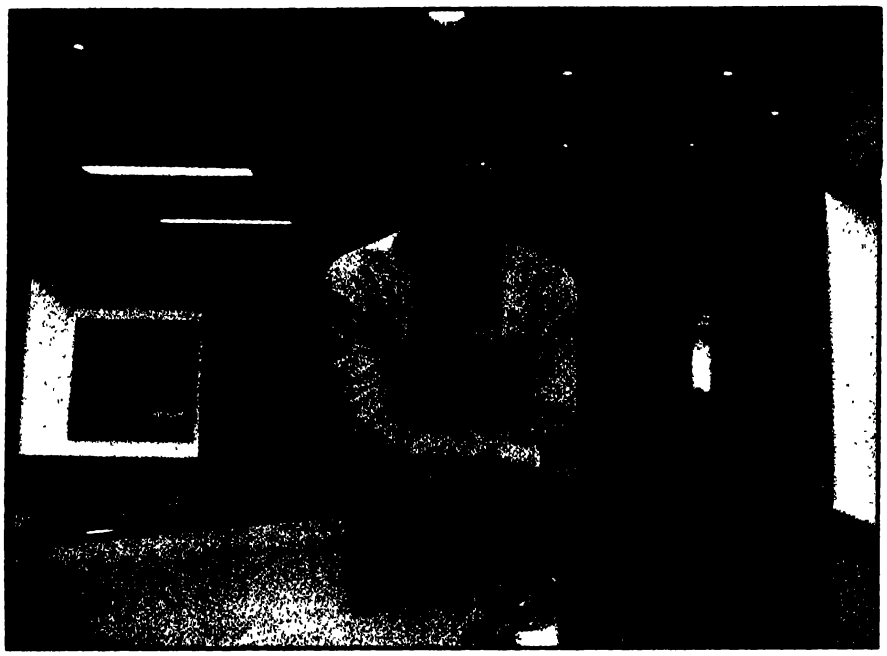
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wires. Defects and problems, however, crop up in the event of an interface. So lesser the instances of interface and external connections on the PCB, the better it is in terms of quality. It is clear that better quality means lesser costs in customer service. The new technology is built on the back bone of "I squared C Bus". No, this has nothing to do with public transport, but an architecture which creates the communication channel between different components so that control information and audio and video information can flow freely between different parts. The 'bus' was originally created in the mid-1990s by Philips NV. Even though I squared C Bus has become a *de facto* industry standard, it is interesting to note that it provides another illustration that inventors are not necessarily the most nimble manufacturers and marketers.



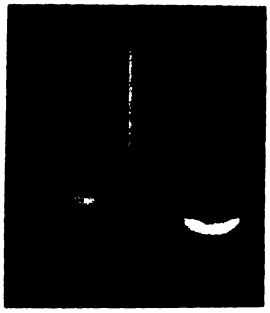
Mandhana is all praise for the new technology, which saves time and improves quality

"Another area of cost and time saving comes in purchasing the components. There are fewer components and also fewer suppliers for digital components, and hence one can be more just in time," says Mandhana, who is currently engaged in a major implementation of ERP in Videocon.

Of course, what we have today in India is a hybrid with analogue broadcast and digital entrails of the TV set. Once digital broadcasting begins, say in the Direct To Home or Operator mode, then one can really avail of the cornucopia of truly digital technology.

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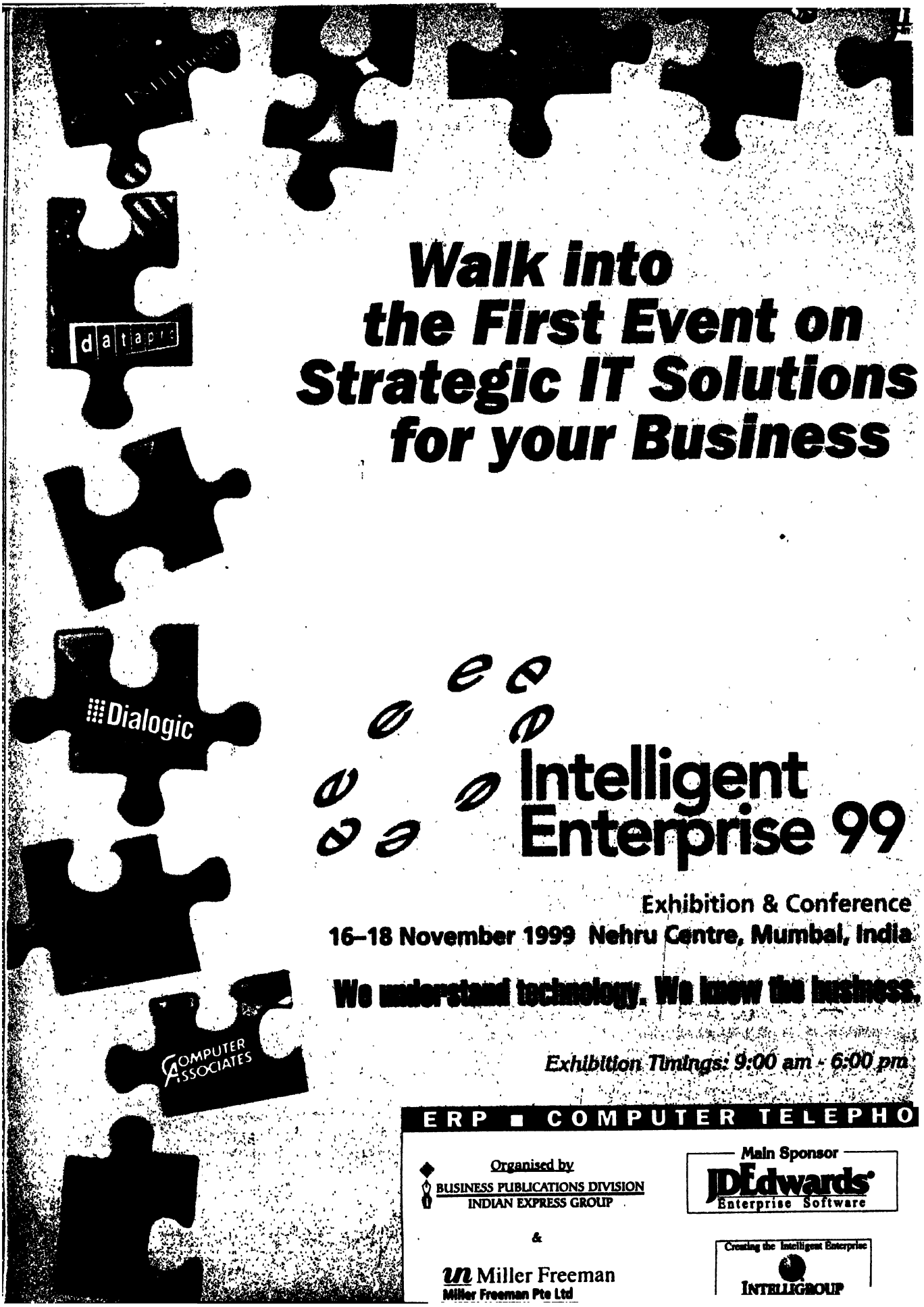
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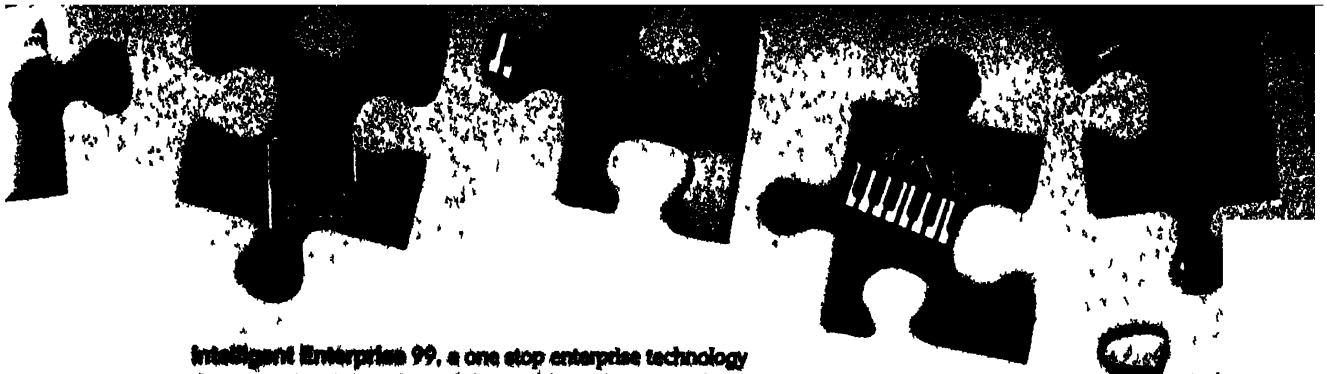
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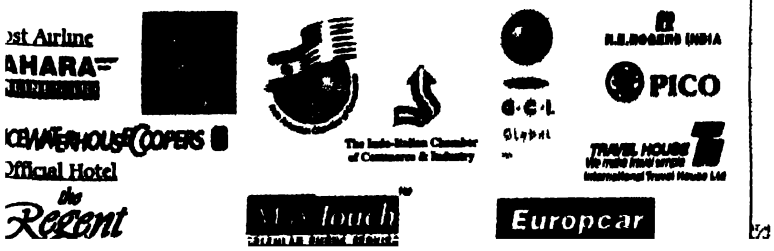
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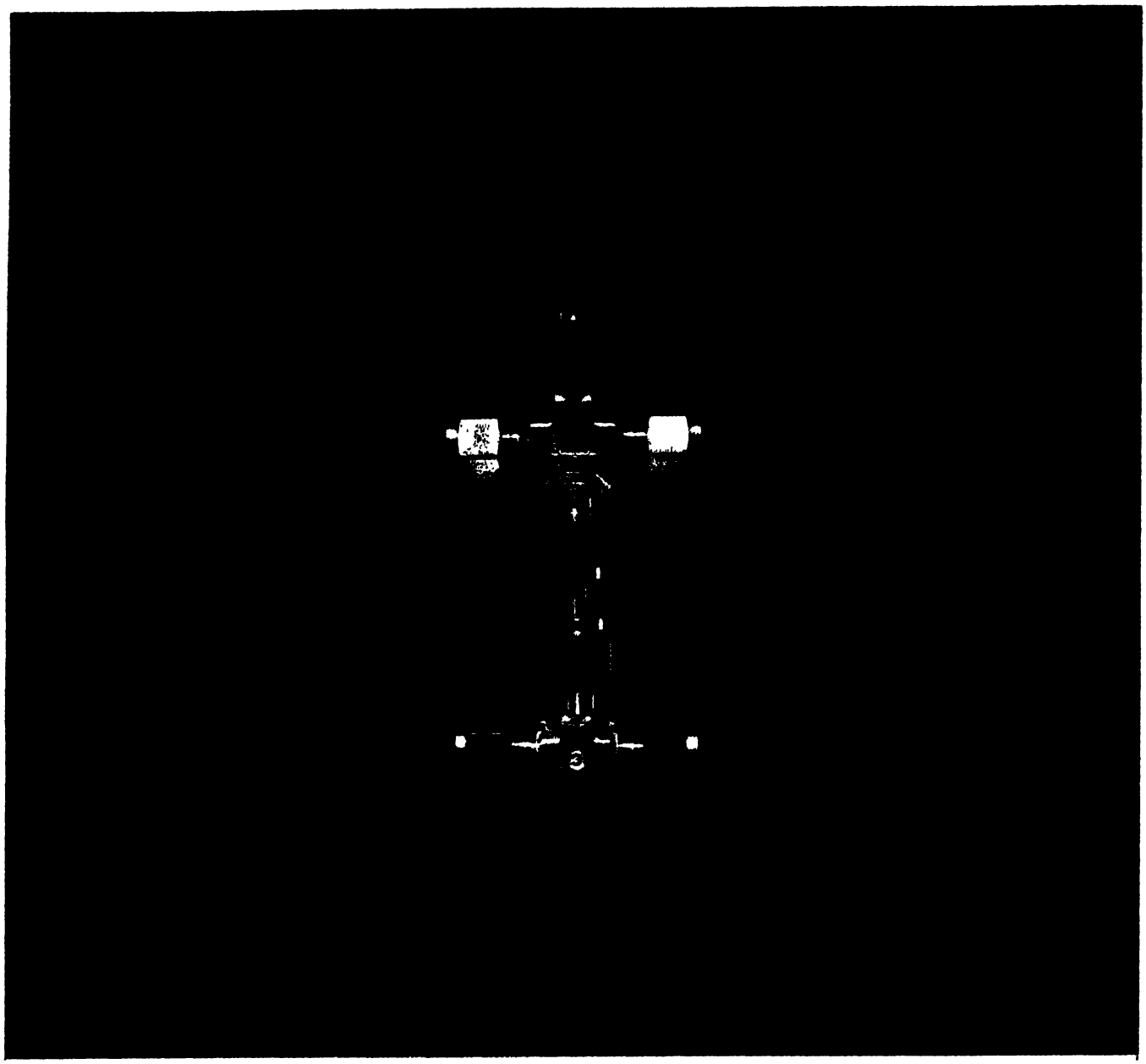
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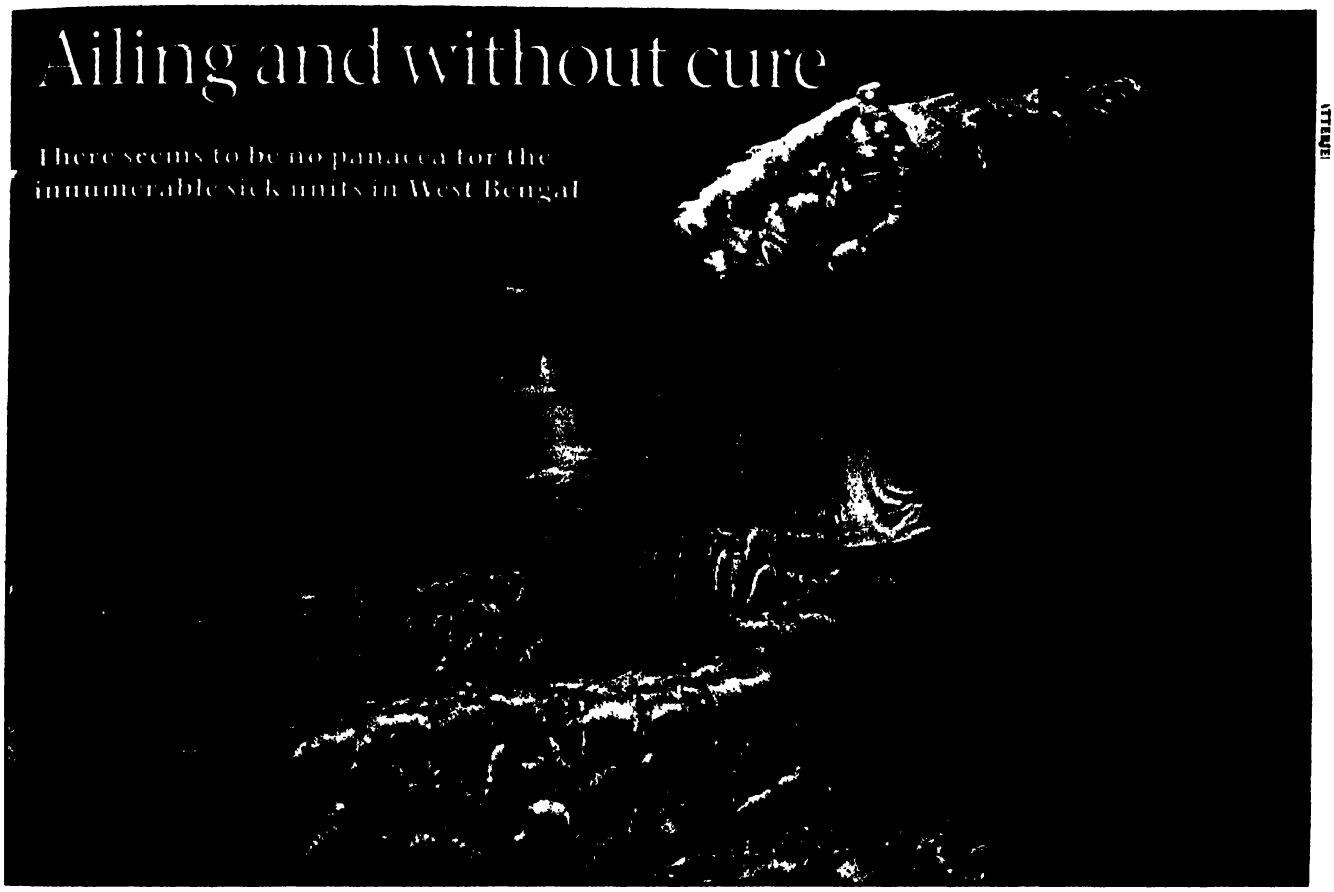
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Ailing and without cure

There seems to be no panacea for the innumerable sick units in West Bengal



"The scenario of industrial sickness in West Bengal is getting worse by the day, with 55,000 sick and closed units, according to a CMIE estimate. The situation has assumed terrifying proportions, bringing untold misery to lakhs of workers and their families. Of the 55,000 units, 30,000 are mainly in the small scale sector. Cases relating to 178 medium and large units are pending BIFR decision, of which 21 are PSUs, 27 are jute mills and 130 are private sector units of various industries. BIFR has issued winding-up orders to 44 private sector companies and six PSUs. Till December 1998, 36 revival schemes were approved by the BIFR but the results are yet to be visible."

These are the findings of a research by Nagarik Mancha, a Calcutta-based labour support group focusing on sick and closed units in West Bengal.

That West Bengal has a long list of sick units has been common knowledge now for almost two decades. What is troubling is that few of these units ever seem to get revived. Historical reasons have always been given by state government officials about the decline in West Bengal industry, some of which – such as freight equalisation and flight of capital – are tenable, but that hardly excuses the lack of effort to find suitable alternatives or upgrade technology, or look for new markets and develop a strong infrastructural base.

The time for doing this would have been during the critical years of the '70s and '80s when sickness was incipient and the Indian business and economy was developing on more decentralised lines. At that time, West Bengal remained comfortably numb with its huge heavy engineering units (most of which have since been nationalised under the umbrella of Bharat Bhari Udyog Nigam Ltd), which ran up heavy losses running into several hundred crores.

Moreover, West Bengal's industry, assiduously built up over the last 100 years, is still basically in traditional areas like metallurgical engineering, cotton textiles, paper, leather tanneries, iron foundries and jute, all catering to colonial needs. Huge workforces, obsolete technlogy, militant labour, unremunerative costs and dwindling markets sounded the death knell for West Bengal industry. Changing technologies and consumer demand effectively made such units redundant. As the larger units dropped capacity and slowed down, the scores of ancillary units – mainly in foundry and refractory businesses – disappeared or moved to new industrial belts like Madhya Pradesh.

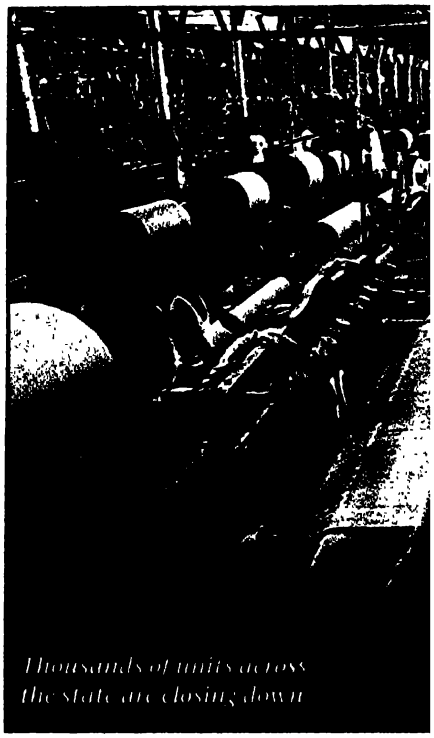
The decline in the number of small scale units is best reflected in the 1998-99 figures of the *Economic Review* published by the West Bengal government, which shows that since 1985-86, the total number of small scale industrial units declined from 22,955 units to 16,359 units. Correspondingly, employment in this sector also went down, from 162,373 workers in 1985 to 98,695 workers last year. Currently, West Bengal's total unemployment statistics make it the country's highest. Another major reason

why units moved away from the state was the rapid growth of the chemicals industry, which completely by-passed the eastern region, and in turn led to a boom in plastics, polymers and other synthetic products, changing the face of consumer products.

"There were policy problems as well which worsened the situation," says Naba Dutta, member secretary of Nagarik Mancha. "For one, the workers' reluctance to accept change was a consequence of progress, which was always equated with loss of jobs. Also, the state government's policies were focused on providing for the workers, which meant nationalisation and keeping the workers on the rolls, conforming to their pro-worker roles than developing industry or turning around sick industry," he adds. Dutta also points out the lack of proper industrial infrastructure and the failure of the state government to create demand and markets along with its acclaimed land reforms programme.

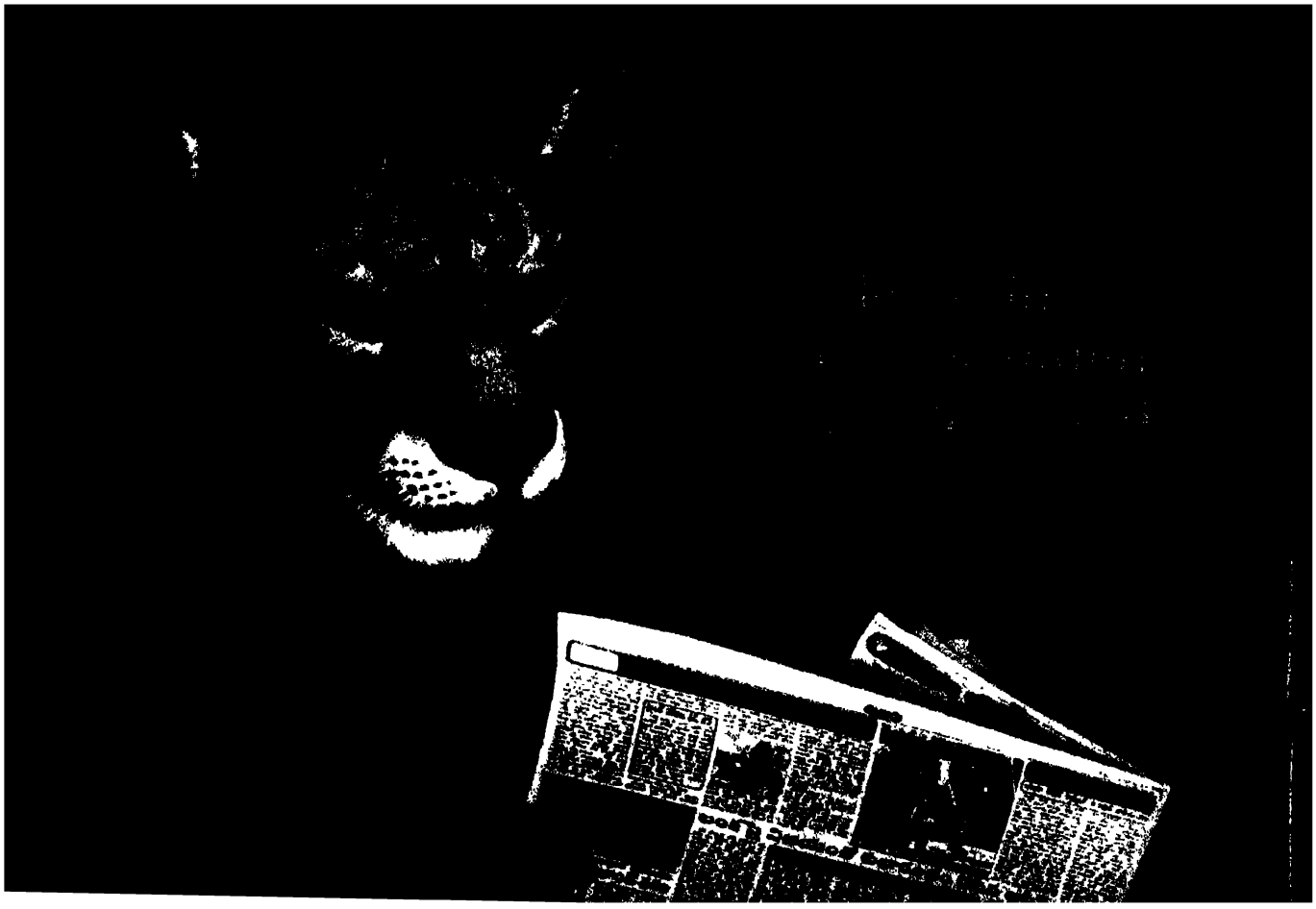
Athough the government has allotted Rs50 crore in its budget to keep workers on dole, the idea, says Dutta, "is to revive industry rather than keep workers permanently on dole". Despite the West Bengal government's belated efforts at industrialising the state, few new projects are coming up. For instance, the Haldia Petrochemicals project, which has been in the pipeline for over 15 years now, is still in the early stages of construction. The project, which is expected to host a number of downstream units and provide millions of jobs in the long run, is yet to take off.

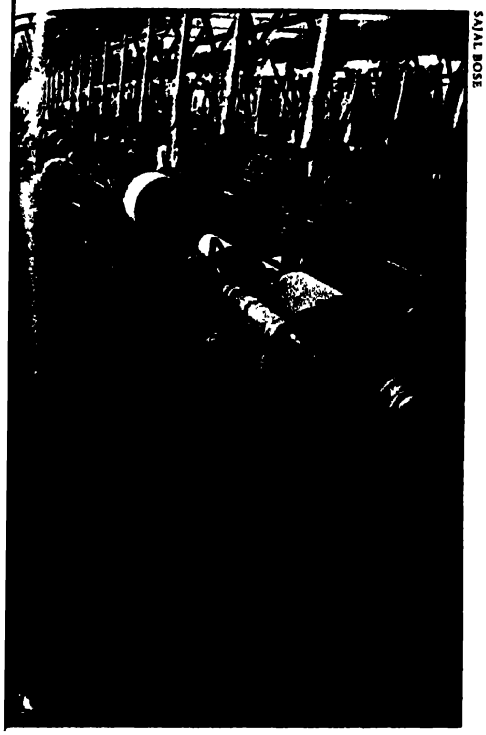
"The government should devote as much time in reviving existing sick units in the state as it does in chasing up new projects and MoUs which seldom materialise. The government should concentrate on mobilising the internal resources of such companies rather than plan for heavy investments," says Dutta. While the proposed Rs100-crore provision in the state budget to implement various industrial revival plans is laudable, there is no clear plan as to how the money will be used, he adds. The government should go beyond its supervisory role and become actively involved with promotion, finance, buying, etc, he says.



Thousands of units across the state are closing down

In its study report on industrial




SAYAL BOSE

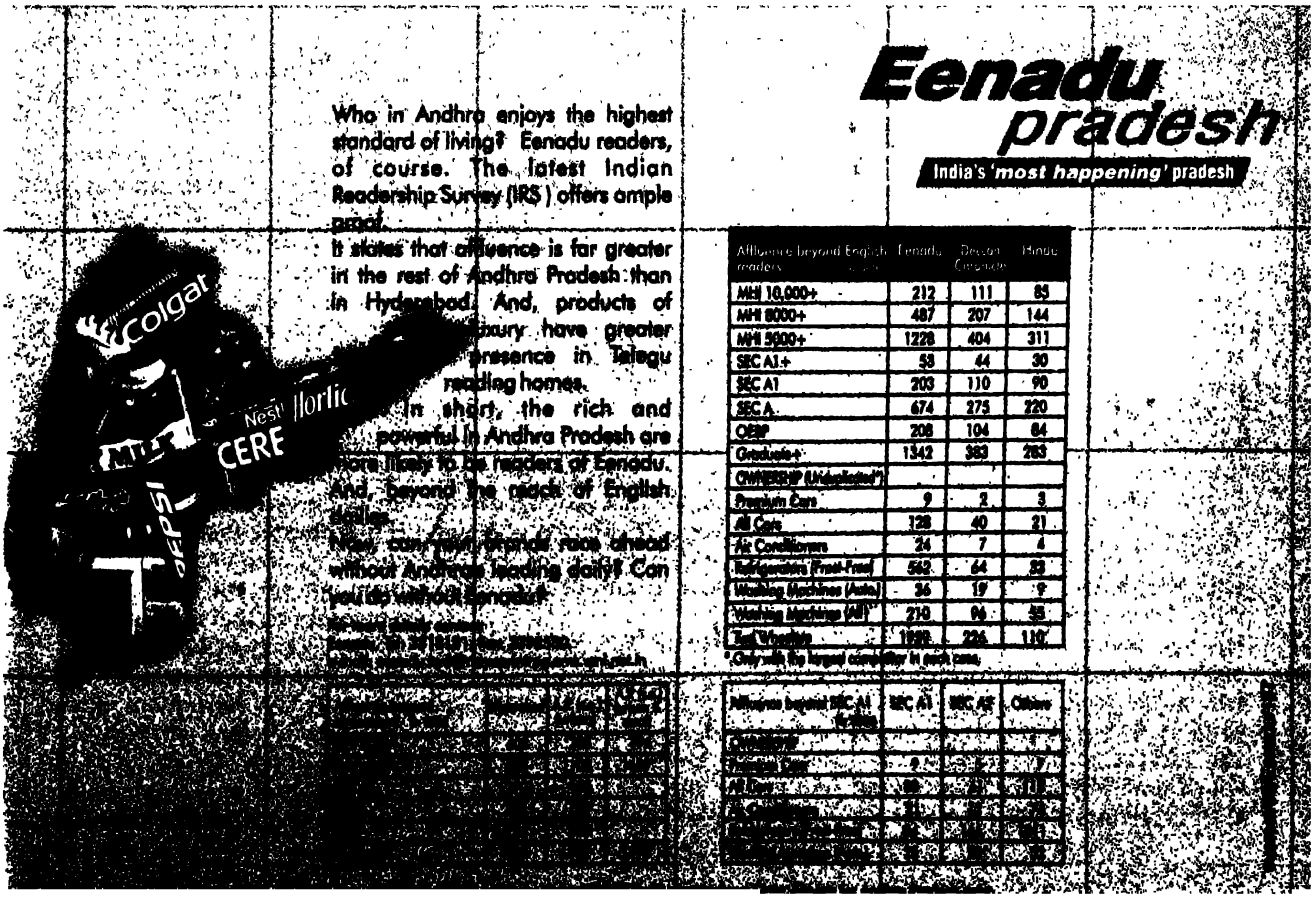
revival in the state, Nagarik Mancha's research team suggests that people-focused and employment generating policies should be given due consideration and people on the board of sick units, especially those selected by industrial revival agencies or the government, must be made accountable. Workers need to be involved in formulating revival schemes, they say. The study also says that while workers' participation in management is an oft-flogged horse, experiments show that the larger body of worker-managed enterprises don't always succeed because of lack of marketing infrastructure.

The research paper says it is essential to focus on cost management and cost competitiveness in formulating and monitoring revival schemes and that consultants and experts be asked to do cost evaluations and cost monitoring of revival projects. The concept of cost audit needs to be introduced for all sick units as well as those undergoing revival, it adds. Moreover sick units should be run with the principal objective of achieving long-term self-sustenance.

In relation to any "relief undertaking" no creditor or worker can make any claim against the undertaking or move the courts, where a reprieve by a court only gives the erring promoter or owner breathing space. More often, points out Dutta, in such cases the owners often strip the company's assets and the workers seldom get their dues. There is, therefore, a strong need to monitor strictly in accordance with the revival plan, the granting or continuation of relief undertaking status, awarding sales tax concessions, and use of surplus land in a real estate project towards financing revival efforts.

More specifically, there is a need to set up a Sick Industries Directorate in West Bengal to speed up the implementation of revival proposals. In units under liquidation or where the owners are not clearly identified or where a revival plan is underway, the workers should take over management and ownership in a joint venture with the state government and professionals, the study suggests. A fine suggestion, indeed, but is anyone listening?

• MADHUMITA BOSE



Fight to the finish

The management and a section of Stanchart employees are locked in an eyeball-to-eyeball confrontation over the latter's refusal to accept early separation



PHOTOS: GOUTAM CHATTERJEE

BSD staffers at the Calcutta office have little to do

The regal Standard Chartered Bank building in Dalhousie, the central business district of Calcutta, is a paradox like few others. The imposing exterior, once bustling with activity, now houses only a small credit card department and a dematerialised shares section, with two people working on two terminals.

The Left Front government in West Bengal is talking of an industrial rejuvenation in the state, and the need for trade unions to be pragmatic and less militant. However, the frontline foreign bank, which is better known as Stanchart, is slowly realising that for it, things in the state have taken a turn for the worse. In fact, currently, the biggest human resources challenge facing the bank has its epicentre firmly placed in Calcutta. As many as 174 of the 200 surplus employees, who refused the latest tranche of a voluntary separation package, are part of the bank's Calcutta operations. Stanchart, which has been operating in India since 1858, came out with its fourth VRS package, on 1 February 1999, which lasted till 26 March. Starting out with 2,248 award staff, the four VRS offerings have now brought down the strength of these employees to 387.

As many as 1,130 employees opted for the fourth and final package, involving a total payout of Rs165 crore, but the remaining simply refused to do so. The bank management has decided not to come out with any more separation schemes unless a sizeable number is keen to avail of them. The bank's Calcutta set-up, however, has put the management in a fix. The branch had 862 award staff in 1992, which has come down to 242 in 1999. Of these 242 employees, as many as 174 are now in BSD, meaning they are surplus. The bank management is therefore in a fix, having identified an optimal award (non-officer) staff strength of about 200 to retain, with most of the operations being outsourced to other agencies.

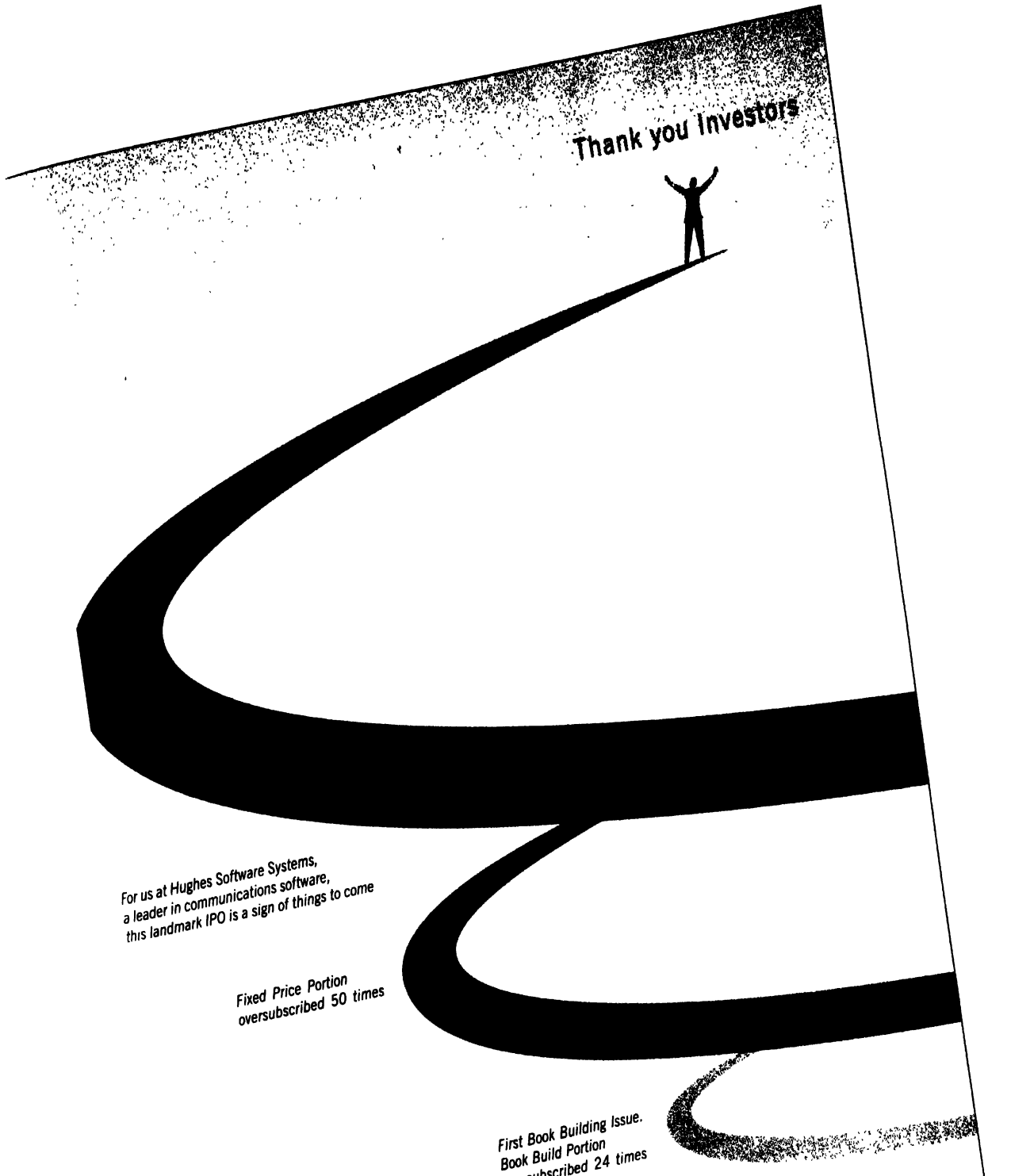
In fact, in July 1998, the bank set up a new division, called the 'Banking Services Division' which was constituted to retrain and reskill the workers. Today, the BSD serves as a virtual rest house for the 174 surplus staff in Calcutta, who sign in, and then go on to play cards, chat and drink tea. These staffers return home without doing any work, as there is little to do. According to the staff, this suits the management fine as the former's not working would only strengthen the latter's case. The staff maintains they want to make a contribution but are unable to do so. But the management has a different story to tell, saying that many staffers do not even have the requisite education to find good alternative employment.

Says T.K. Das, general secretary, Standard Chartered Bank Employees' Union: "That there is work in the bank is proved by the fact that jobs are still being outsourced. We will meet the management on 15 December and request them to consider retaining those who are young and can contribute to these jobs."

An official of the bank, on condition of anonymity, told *Business India*, that Stanchart had no option but to cut down surplus staff as planned. Says V. Krishnan, head of the bank's external affairs department: "We are offering high cost technology and are installing international networking facilities. This needs skills of a completely different kind which these people do not possess. The surplus staff issue, therefore, will have to be tackled."

Krishnan adds that Stanchart is not just closing down branches and downsizing. New branches have been opened in Salt Lake in Calcutta, Pune and Bangalore. Branches have also been lined up for Ahmedabad and Hyderabad, for which clearances are awaited from the Reserve Bank of India. "We will go where business is," he says.

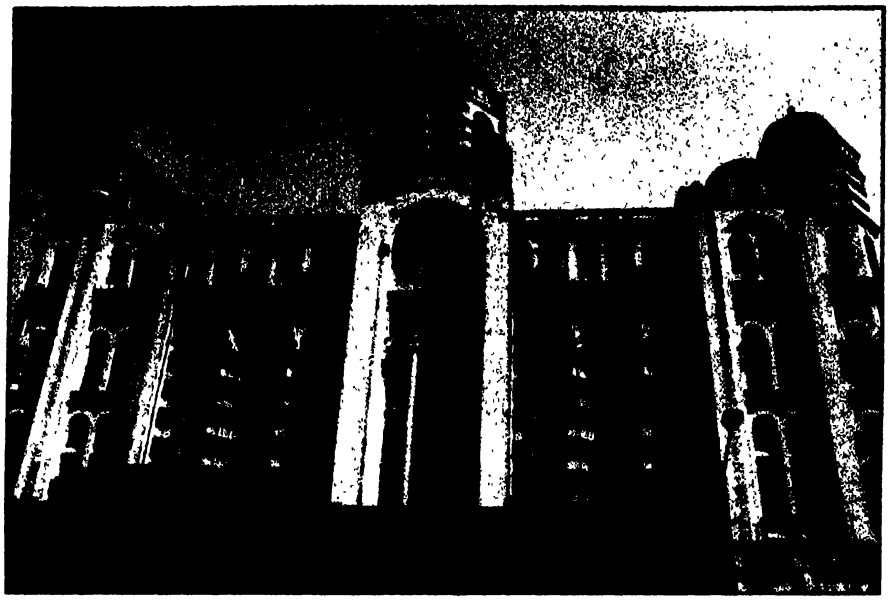
Since the bank is offering Rs16-17 lakh per head as the average payout under the early separation scheme, it is inexplicable that some employees choose to become redundant rather than opt for the money. But the employees say that accepting the separation package makes sense only for those who have worked for over 15 years, as the separation money is attractive for such employees. "For those of us who are young and have many years of service left, neither is the money offered that lucrative, nor



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Stanchart's facade hides the turmoil within

are other openings available in the banking industry in this region," says Chanchal Mitra, president of the union's Calcutta unit. Tarakeswar Chakraborti, head of the All India Bank Employees Association (AIBEA), the guiding force behind the Stanchart agitation, says VRS is virtually anathema for trade unions, particularly in the banking sector.

"Why should the employees be made to pay for the mistakes made by bank managements and problems created by the degeneration of industries in the eastern region?" asks Chakraborti. He is planning a major agitation in mid-November against the controversial recommendations of the M.S. Verma Committee on weak banks. One of the suggestions his union has vehemently opposed to is that of VRS in the weak nationalised banks.

Stanchart's claim that it is not the only foreign bank opting for largescale retrenchment, may not be too far from the truth. ANZ Grindlays Bank is reportedly taking a hard look at its staff strength. The bank, incidentally, has already slashed the number of branches in Calcutta from 18 to nine. Insiders at HongkongBank are also talking in hushed tones about the possibility of another separation scheme being launched, following the success of its maiden one conducted recently. Other foreign banks are also believed to be readying for such schemes. If Stanchart manages to tackle the present crisis successfully, it can well pave the way for a major retrenchment exercise in the other foreign banks operating in India.

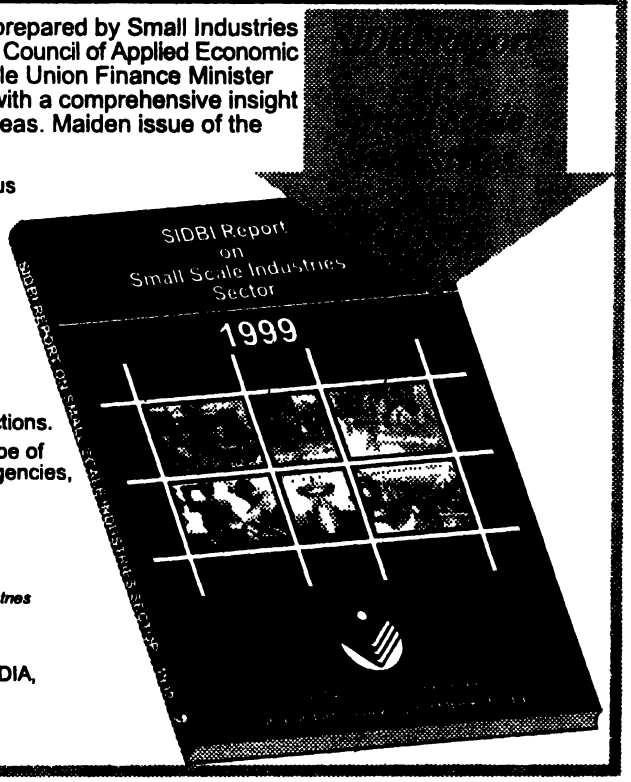
• ALOKA MAJUMDAR

A Complete Storehouse of Information on Small Scale Industry !

SIDBI Report on Small Scale Industries Sector 1999 prepared by Small Industries Development Bank of India, in association with National Council of Applied Economic Research, New Delhi was recently released by Hon'ble Union Finance Minister of India. The publication, aims at providing the users with a comprehensive insight into the SSI sector in India and relative position overseas. Maiden issue of the Report, *inter alia*, covers:

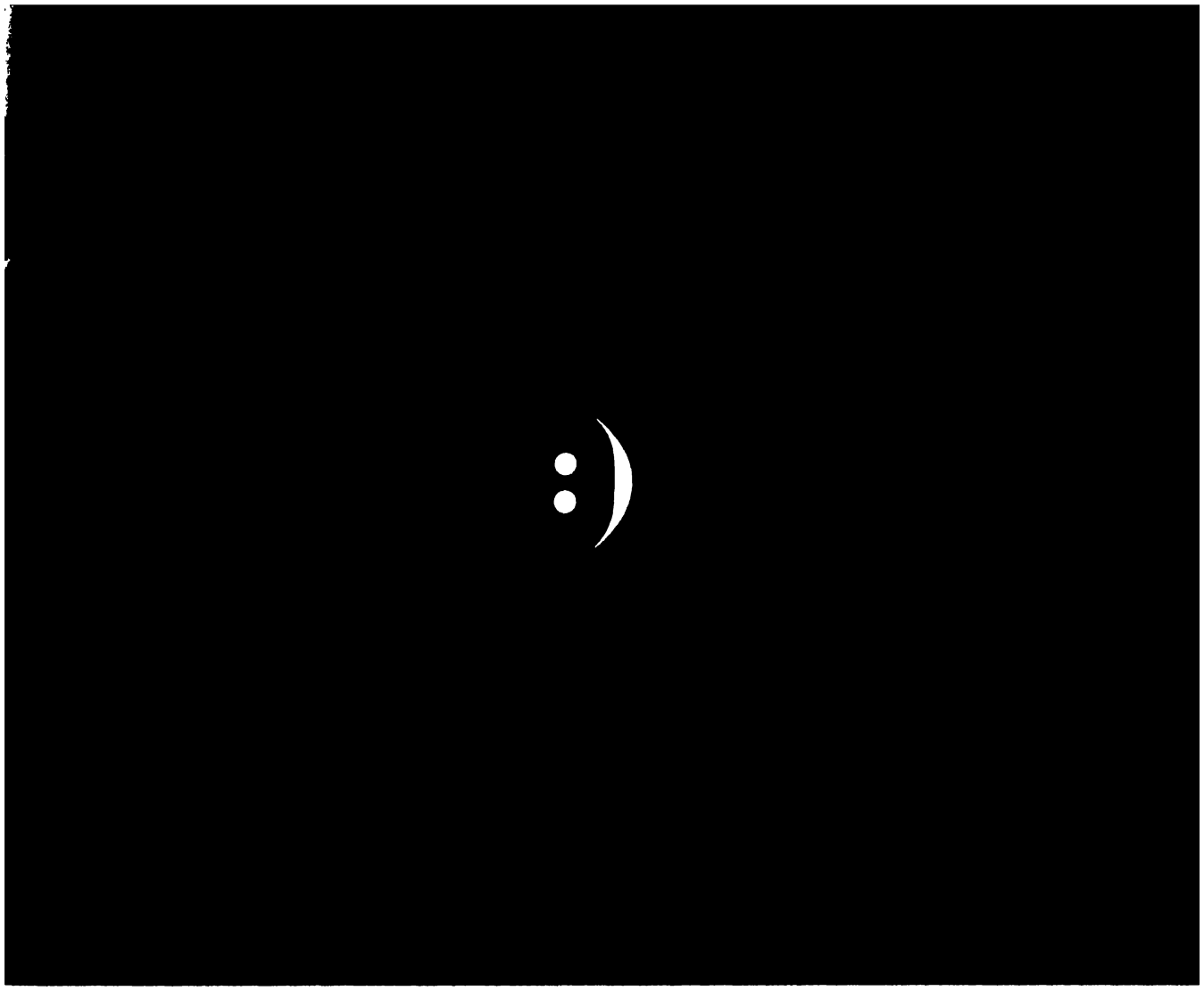
* Policy initiatives of the Government & impact thereof, status of SSIs, composition & ownership pattern, institutional support structure and other aspects which give an in-depth insight into the Indian SSIs.
* Details of State-wise key incentives available for SSIs.
* Status of credit dispensation by banks, FIs,SIDBI, SFCs, SIDCs and other primary lending institutions.
* Key findings, major recommendations and the status of implementation of the recommendations made by various Committees /Groups constituted by GOI/RBI.
* Emerging issues/problems relating to SSI sector.
* Prospects and outlook of the SSI sector and growth projections.

The comprehensive document on SSI sector is expected to be of use for policy planners,financial system at large, overseas agencies, industry associations and researchers.



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	Quarter ended Sept 1999	Half year ended Sept 1999	Half year ended Sept 1998	31 3 1999
Total Income	601.10	1116.21	820.80	1751 80
Total Expenditure	397 17	741.95	529 64	1053 41
Gross Profit *(before depreciation and interest)*	203.93	374 26	291 16	698 39
Depreciation	13.59	25.03	16.32	38 83
Profit before Tax	190.34	349.23	274 84	659 56
Provision for Taxation *(incl. tax on dividend)*	25.64	47.05	46 42	122 13
Profit after Tax	164.70	302.18	228.42	537.43
Paid-up Equity Share Capital	192.00	192.00	48.00	192 00
Reserves and Surplus	1041.80	1041.80	618.70	739 61
EPS *(annualised)*		31.48		28.41

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Labour pains

As the finance ministry is busy formulating a national policy on PSE restructuring and disinvestment in states, the labour ministry is looking forward to be heard too

Going ahead with its commitment on the second phase of reforms, the Vajpayee government is formulating a comprehensive national policy for restructuring and disinvestment in 882 state public sector enterprises (PSEs). "Exhaustive guidelines would be shortly introduced as a part of the government's overall fiscal strategy to streamline state finances, reduce dependence on the Centre for support and minimise their deficits," states the note prepared by the expert group headed by N.J. Kurian, principal advisor in the Planning Commission. The group has already chalked out a 65-page interim report outlining the *modus operandi* for the state PSE reforms. However, that it will have major implications on the labour workforce has not really been given any real heed since the labour ministry does not seem to be involved anywhere in the entire process.

The ministry of labour has not really been a party to most of the steps undertaken by various governments ever since Manmohan Singh introduced the liberal economic policy in 1991. In the present government too, the minister of labour and employment has been given the status of a state minister. The present minister, Muni Lall, however, seems to have other plans. "This ministry has always been accorded a high profile status right from the time of Independence and I am determined to bring back the past glory that this ministry is used to," says Lall. And it appears that he means it too as right after taking oath as the minister, he has started looking into how the national renewal fund (NRF) has been utilised over the years, a key issue that has failed to grasp the attention of the earlier ministers. As a result, most of the money meant for labour rehabilitation and training has been rather utilised as payment towards voluntary retirement schemes (VRS) so as to opt for the convenient option of easing out the workforce.

"Most of the sick unit cases that go to the Board of Industrial Financial Reconstruction (BIFR) always end up in the industrial unit getting liquidated and only a few get the relevant revival



Lall wants to restore the labour ministry to its glory days

package. This is no way to help the cause of poor labour and the burden on our ministry just keeps mounting. The NRF has to be optimally utilised keeping in mind the plight of the workers who are rendered jobless once a unit is liquidated. A more appropriate formula for making use of the fund judiciously is in the offing under the able guidance of our present minister who fortunately seems to be very concerned about it," says Laxmidhar Mishra, secretary in the ministry of labour and employment. The expert group, however, feels that in BIFR cases where 100 per cent networth has eroded, protracted delay in the formulation of the revival package would only enhance losses that the country can ill-afford to ignore.

Notwithstanding the sustained efforts of the labour ministry to get the government to display a pro-labour image, the proposed guidelines based on the Kurian panel recommendations has asked the states to pull out from manufacturing sector in toto. The strategy adopted by the disinvestment commission for central public sector undertakings (PSU) has been ratified as the basis for the new policy. The commission has considered the option of outright sale, or offering 51 per cent equity to the private partner along with management control, partial disinvestment, i.e., offloading up to 26 per cent, or even attempting to formulate revival packages where the states decide to retain their control. The report has also favoured the setting up of disinvestment fund and state renewal fund (SRF) on the lines of the NRF. It has been proposed that the disinvestment proceeds should be put to use through the SRF for restructuring and formulation of VRS to prune the workforce. It is here that the labour ministry has its apprehensions since the earlier experiments with NRF have failed to provide desired results in favour of labour.

According to reliable sources in both the finance ministry and the Planning Commission, the proposed policy being drafted by the expert group has a vehement supporter in finance minister Yashwant Sinha. In fact, he is keen to bring it into practice as early as possible. However, the ministry of labour and employment would certainly put in all the resistance it can to stall the policy in its present form. And Muni Lall, who is also the president of BJP's Scheduled Caste (SC) Front and has been hailing the Vajpayee government for inducting 10 SC ministers in the Union council along with a speaker, seems to be keen on his pro-labour image. "The labour ministry right from the days of Babu Jagjivan Ram has been as a practice headed by the members of weaker section of the society, especially SCs as labour laws and welfare schemes mostly affect the bottom strata of society. Even today, a decision on labour largely affects the weaker section of the society and so the labour ministry has to stand up for its cause," says Muni Lall.

• MANOJ NARULA

Those 50-something start-ups

Having enjoyed cushy jobs and comforts in the corporate world, a bunch of executives — in their 50s — are striking out on their own



VIVAN

Starting out on one's own is a lesson in reality, say Rajpal

What do Veer Sagar, Suresh Rajpal, Larry Malarkar and Bhaskar Pant have in common? Lots. They are all in their late 40s and mid-50s. They have had long and successful stints in the private sector. Veer Sagar was the CEO of DCM Data systems and was instrumental in turning the sick company around. Suresh Rajpal spent 29 years with Hewlett Packard and came to India in 1989 to set up the company's India operations. Larry Malarkar the worldwide vice-president (sales and marketing) for the Oberoi group's hotels and sales offices, and Bhaskar Pant was Turner Broadcasting Corporation's man in India.

Sounds like a motley group, but there is a common link: all of them gave up their high-paying, perk-filled jobs to start their own businesses. And they seem to have no regrets about exchanging their cushy jobs for the rough-and-tumble world of private entrepreneurship, the sweat-and-grind routine of setting up a start-up.

Each one has interesting anecdotes about the transition. Veer Sagar's favourite story has to do with "being totally flabbergasted" when he was asked to fill up an STPI approval form for his company Selectronic Equipment. "I hadn't a clue about what to fill in and where," says Sagar, who promptly got in touch with the director and got one of his secretaries to fill up the form. "Days after I had submitted the form, I used to be on tenterhooks when the phone rang. I was scared somebody might want a clarification about something that I had filled in column eight in sub-section three of the form," he laughs.

Suresh Rajpal too had his own share of such situations when he decided to start eCapital Solutions (India) Private Ltd in January this year. Since he didn't have an office, he had to meet people either at home or in coffee shops. One day, because his system "was overflowing with coffee", he decided to meet a client in the lobby of a five-star hotel. Imagine his horror when after an hour a hotel manager came up to him and said that the hotel had a conference room and that maybe he should use that for business meetings. "It was embarrassing because I had been associated with the hotel for a long time and had even given lectures to the hotel staff, but this person obviously did not recognise me. It became even more embarrassing when I told him who I was," says Rajpal.

"One takes too many things for granted when one is working at a senior post in the private sector. Starting out on your own is quite a lesson in reality," says 55-year-old Sagar. It's a lesson 51-year-old Larry Malarkar also learnt when he started his tlc marketing private limited last year. "Do you know how much a letter head costs? Do you know how much insurance you pay for your car every year? I do. I learnt all this and more in the last one year," he says.

But aren't the 50s a bit late in the day to start learning these things? No, says Malarkar vehemently. "These are just teething problems. These things happen when you start out on your own. Moreover, once you reach a particular level in the private sector you just remain there. Even the perks and the frills don't change much, so there is very little job satisfaction. You don't mind learning a few things if the end result is satisfying," he says.

Sagar agrees, "In fact, this is the right age to start out on your own. You have a range of experience behind you. Also, if you choose a related field, you know all the right people, which makes the going that much easier."

"Anybody who wishes to enjoy his job has to constantly reinvent it," says Rajpal. "My excitement with the job at HP started waning seven years after I came to India. Moreover, during my stint in India, HP India won a number of awards within the organisation — such as the business excellence award and the employee satisfaction award — so there were no encores left." Rajpal, however, waited till he was 55 (and had spent 10 years with HP in India) as HP has a policy whereby if a person is 55 and has been with the

company for 15 years, then he is eligible for premature retirement. "I didn't want to leave an organisation where I had spent such a long time," he adds.

Lady Luck was also on Rajpal's side — a head-hunter in Hong Kong was looking for someone for "creating a software company from ground up" for a venture being financed by the Chase Manhattan Bank. And Rajpal's name "kept cropping up" for the job.



RAMESH PATHANIA

Sagar expects his medical transcription venture to start making money by next year

They waited for nine months for Rajpal to wrap up his work with HP (and turn 55) to start eCapital Solutions (India) Private Ltd.The company has its head quarters in Bermuda and subsidiaries in the US, the UK, Germany and now India.

The last few months have seen Rajpal busy putting together a team of "young, zany people" and also buying a company each in Germany and the UK. "We are a feet-on-the-street kind of company. We believe in providing solutions which add value to what you are doing. I firmly believe that India needs to sell value and not bodies, which is what is happening in the software industry right now," says Rajpal, who is looking at making eCapital Solutions a $100-million company by 2004.

Even as Rajpal is busy working out of his "virtual office", where he has four-way conversations with others across the globe, Veer Sagar prefers to travel to the US to get more business for his Selectronic Equipment. His company, set up in 1997, provides transcription services to American doctors. Says Sagar, "Medical transcription is a standard industry in the US. What we do is to get case histories dictated by doctors into machines to India, transcribe them here and then send them back."

Of course, things are not as simple as Sagar makes them sound. He had to go through a tough trial-and-error phase before finally reaching where he is today. "When I started out I thought I would need nurses and trained people for the transcriptions. But then I realised that we could get graduates and train them to do the job. Looking for graduates was another story altogether though," says Sagar, who now has 250 trained people working for him. But although business has been growing, there has been no increase in revenue. Sagar hopes to start making money by next year. "We have a tie-up with six hospitals at the moment. We need to have another six or seven hospitals before the cash starts flowing in," he says.

Also waiting for the cash to flow in is Larry Malarkar, chief executive of tlc marketing private limited, and his two executive directors Sudhir Gupta and Sangeet Seth who left the Oberoi last year to start the company. With plenty of encouragement from their wives who agreed to take care of the day-to-day expenses, the trio put their savings into the new company. Although they have yet to make any substantial profit, the trio is pleased with the fact that they have made enough to put it all back into expanding the business without having to dip further into their own resources.

"Ours is basically a lifestyle and travel consultancy company. We felt that there were enough lifestyle products in India, but no professional company marketing them. So we decided to take the plunge," says Malarkar. There were other reasons that prompted the trio to branch out on their own. After a successful stint in the hotel industry, Malarkar had tried his hand in a different field when he opted to work for Essar Cellphones for a year. However, he realised soon enough that this wasn't the field for him. Gupta and Seth (who are in their mid-30s), on the other hand, were itching to do something different after putting in about 10 years each at the Oberoi. "We thought there was safety in numbers, so we joined hands," says Malarkar.

What also helped was that they all specialise in different fields: Malarkar has vast experience in development and marketing services (he has had stints with hotels like ITT Sheraton in Cairo, Boston and Mexico and also the

Oberoi group). Gupta was the Oberoi group's director (marketing and development) and had conducted over 30 feasibility studies for the hotel chain, while Seth, who was director (electronic marketing and reservations) at Oberoi, had enriched his portfolio with his stint at AT&T in the US. For the rest of the expertise they require, tlc marketing private limited has three non executive directors — Rabindra Seth, Mallika Sarabhai and Reyaz Mama.

The first client for tlc was Continental Furnitures. Today the company works for a number of hotel chains such as the Park group and the Taj. "We also wanted to focus on tourism because that is a big industry," says Malarkar. In the last one year, TLC has been named a consulting company with WTO for various sectors of tourism development and is the only recommended sales and marketing company for RCI-affiliated resorts in India. Right now, the company is working on Sita Holiday Resorts' plans of getting into timeshare, besides undertaking a study for the Leela group on whether it should get into timeshare.

However, it is not all work and no play for the trio. They work out of an informal office, have regular parties on their balcony and have also started Club XO for ex-Oberoi employees. "We wanted to start the club because you find ex-Oberoi people everywhere. The idea is to enjoy the work that you do and also to give back something to the industry where you have worked for so long," says Malarkar.

Unlike Sagar, Rajpal and Malarkar, 48-year-old Bhaskar Pant moved away from his area of specialisation — electronic media and media technology. Pant, who has worked with Sony Corporation and Turner Broadcasting, was sent to India in 1995 to enable distribution and licensing of CNN and TNT Cartoon Network in South Asia. Last year, he launched his company aptly named New Millennium Consultants Private Ltd.

"I firmly believe that corporations in India need to elevate executives' professional level skills to make them globally competent," says Pant, whose company conducts workshops on topics like skill enhancement in communications and presentation, cross cultural negotiations and managing change. "Take a software engineer, for instance. He might have all the technical knowledge but how does he conduct himself when he reaches Silicon Valley? There are other aspects of his personality which also need to be taken care of," he adds. Among the corporations with whom Pant has worked are Hughes Software, Tata Telecom and GE Capital. His company also has a tie-up with the Hong Kong-based Management Development of Asia Pacific (MDA) whose head Kingsley Smith also conducts workshops in India.

Pant, however, does not see any difference in the nature of the work that he did earlier and what he is doing now. "I see a strong linkage between the two though this work involves more training. All through my career as a senior executive I had enjoyed nurturing people. Now that side of me is coming to the fore," he says.

For Pant, making a professional switch has not been as tough as explaining his decision to stay on in India when he had spent his entire life abroad (he born in Africa and then lived in the UK and the US). "My friends were shocked when they heard that I had not only decided to get into business but that too in India when my contract with CNN got over. Ideally I should have gone back, but I saw a need for this kind of work in India and decided to stay on," says Pant.

The option of going back to his area of specialisation still exists for Pant — he has given himself another year to find out if he is getting anywhere with his new job, otherwise it is back to the electronic media. But Pant, like the others, does not want to exercise this option — just not yet. Says Seth, "I know that it is a mid-career shift for me and that I can always go back. But I don't want to go back to the corporate world as a failure."



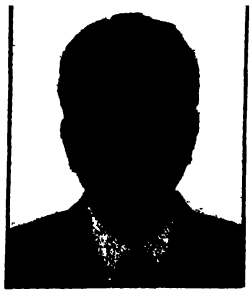
RAMESH PATHANIA

Malarkar and his team believe in mixing business with pleasure

Rajpal has other reasons to see that he succeeds at his new venture. "I have stayed abroad for 29 years. I wanted to come back to my roots and now that I am here I don't want to leave," he explains. Sagar, on the other hand, is not even thinking of giving up. Instead, he is upbeat about expanding his business. While he is busy negotiating with other hospitals in the US, he is also trying to work out collaborations with state governments where his expertise can be used for training people in the field of medical transcriptions. "It is fun being on your own," he says.

And if there is money to be made at the end of it, that's a great high too.

•PUNAM THAKUR



ATUL NISHAR

The author is the chairman of Aptech Limited and Hexaware Infosystems Limited

From enterprise to interprise

A mere presence on the Net is passe. It's the way a company uses the Net that will count

So sweeping are the changes brought about by the Internet revolution that Lotus CEO Jeff Papows, in his book *Enterprise.Com – Market Leadership in the Information Age*, stated: "We are in the early years of a fundamental change in the way our civilisation works." Today, information abounds, be it about customers, suppliers, the competition, or even the company itself. The Internet has made this information potentially available to just about anyone. However, possession of information is not the differentiator it used to be. Rather it's what you do with information that can give you that all-important edge.

This can be best achieved by e-engineering the organisation into a full-fledged e-business (a Net-enabled 'interprise'), interacting and/or doing business with customers, suppliers and even internally through the Net, extranets and intranets. Combine this with data warehousing, data mining and effective customer relationship management (CRM) and you can be confident of your business moving ahead.

The advantages of the Net are many. Apart from the fact that costs can be cut drastically, customer relationships can be taken to a different dimension. Business expansion through a virtual presence and virtual collaborations in cyberspace is the next logical step. Physical and geographical boundaries vanish, and the business becomes a potentially global one virtually overnight.

You may not yet be on the Net, but your customers and competitors are. IDC estimates that 510 million people will be online by 2003. By then, 70 million Asians will have access, up from 9.9 million in 1997, says a study by market research firm Jupiter, Frost & Sullivan. Of these, at least 3 million will be from India, according to widely accepted local estimates.

Considering these figures, it's easy to conclude that the imperative for every corporate is to e-engineer as quickly and as extensively as possible. Even if the company's interests are not in business-to-consumer e-commerce, business-to-business transactions over the Net will increasingly become the norm. Ignore this trend at your own peril, or be an early mover and reap the cost and time benefits of transacting online with your entire supply chain.

With the Net, effective CRM is no longer a theoretical fantasy. The company Website enables online support and services without a break. With easy collection of specific demographic and special interest details of individual customers, it's possible to personalise the services to a customer and further enhance the relationship through discussion forums, call centres and help desk management systems.

Rakesh Mathur, founder of Junglee, which was acquired by Amazon.com last year, is convinced that the power has shifted to the customer. He advocates "nothing short of customer obsession" in order to survive in the age of the Internet. It's not an accident that Amazon.com offers arguably the best consumer shopping experience on the Net today. The result? Amazon has serviced millions of customers to date and has a market capitalisation that's greater than the gross domestic product of most developing countries.

To emulate such an example, companies need to junk old business models and fit in new ones in sync with e-business paradigms. Although this is tough enough from a technology angle (in terms of the upheaval, transition and implementation), what's even more difficult is setting in place procedures and new attitudes in tune with the Web-enabled corporation.

As an example, try this simple test. Let's assume that on your company Website you accept customer queries via e-mail and have an online discussion forum for various issues related to the company's products and services. But do you have a written policy on how, when and by whom e-mail queries will get a response? Do you have automation built into response? Do you have moderators for the forums? If not, no matter how sophisticated the technology you deploy, the entire e-engineering exercise remains but a theoretical one, CRM mere farcical jargon for the boardroom.

Nobody's advocating an abandoning of the existing brick and mortar infrastructure. Instead it's becoming increasingly clear that a transformation into 'click and mortar' will position the enterprise to reap the best of both worlds. It's the way you use the Net and transform the organisation into a full-fledged 'interprise' that will keep competition at bay and customers coming your way. ♦



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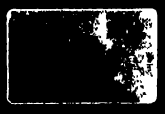
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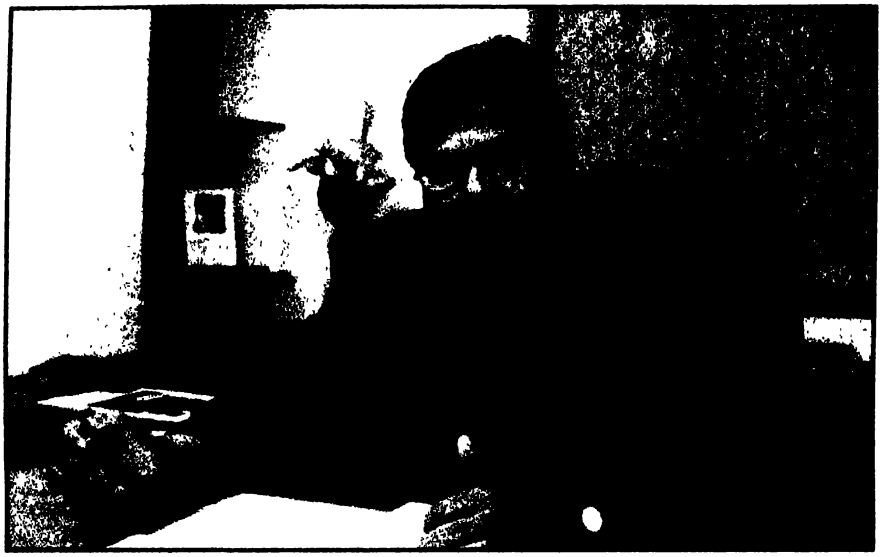
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A prescription for growth

C-Bay Systems aims to strike it rich in medical transcription



Kumar sees big business in India, especially once the insurance sector is opened up

While Java, Visual C++, Web technologies, ERP, *et al* form the more appealing part of software, there exists a much more mundane underbelly of low-end intellectual capital services worth billions. And several Indian entrepreneurs are realising that. Remember the joke about a doctor who wrote a love letter to his wife and she had to take it to a chemist to decipher? Raman Kumar surely must have taken a business cue from this. He has plunged into the medical transcription (medical records transcribed from voice to text) business, a $18-billion niche market in the US.

Kumar, after doing his MBA from Yale University, had a decade-and-a-half career spanning international finance and marketing, the last one being with the Essar group. What made Kumar jump onto the MT bandwagon was the fact that though the market was growing, the number of medical transcribers were dwindling. According to the Association of American Medical Transcription, the number had dropped from 350,000 in 1996 to 270,000 in 1997.

Besides, several hospitals which had their own in-house departments, found it more economical to outsource their transcription needs. The shortage of skilled staff was showing and this, according to Kumar, triggered off his entrepreneurial zeal. He decided to join hands with the US-based Donald Conover and Mahidhar Reddy to flag off C-Bay Systems at Annapolis last year.

Within a short span of time, C-Bay Systems, of which Kumar is the chairman, has managed to rope in hospitals, physician groups and medical clinics in the US as its clients. Federal regulations require these clients to have medical records transcribed from voice to text. Looking at the business potential, Kumar started an Indian subsidiary a couple of months back. "We are looking at India as a major base for outsourcing MT services not only for the US market but for the Indian market also at a later day," says Conover, the company's president.

Although MT is in a nascent stage in India both in terms of industry and career prospects, Kumar is confident: "There have been times when leading Indian businessmen knew nothing about this trade but once they understand the potential of this business, the first thing they want to discuss is an equity stake offer in C-Bay."

Incidentally, C-Bay is the first US-based company to outsource MT services from India. The company has a vendor base of 25 and medical transcriber base of 800 people, which is expected to double by March next year. "The strategy is to create our own base in India to cut down our service costs in the US," says Kumar. The operations are organised thus: the Indian vendor transcribes the voice files into text files and transmit the files back to the US, where C-Bay would have the files edited and delivered to the customers.

"MT is not just about mere translation of doctors' prescription from voice to text electronically, but absolute understanding of medical terminology and editing skills," says Reddy, chief executive officer of the Indian arm.

In an industry which is manpower-intensive, the labour cost certainly works in favour of India being used as a base to outsource. About 10 per cent of the total US business of $18 billion constitutes outsourcing, which is said to be growing at an annual rate of about 20 per cent.

Kumar is hopeful of raking in a turnover of $15-18 million in the current year and $61 million by 2003 with a net margin of around 35 per cent. Towards this end, he plans to raise $8 million through a band of angel investors or venture capitalists. Besides, he feels that the privatisation of the insurance sector in India is bound to create a big MT market in India.

However, industry indications suggest otherwise. There are an estimated 300 outfits either engaged in or attempting to enter the MT business by way of using MTs in India, according to industry sources, of which Healthscribe Inc and Heartland Information Services merit a mention. While the former has managed to have only 350 MTs at its Bangalore base, the latter has about 1,000 MTs, and an industry source says that they have not been able to make a major headway in terms of topline growth. How then does Kumar feel confident of upstaging the existing players? Choosing not to comment on these players' performances, he says, "We are going to be different and compete with big boys." Looks like Kumar has a different growth prescription in medical transcription.

• ROY PINTO



T S KRISHNAN

The author is director (northern operations) of Microsoft Corporation India Pvt Ltd. He can be accessed at tskrish@microsoft.com

Integration is Job 1

In the drive towards automation, what you need is comprehensive line-of-business applications

Whatever industry or service you may be in, the need for timely and relevant information is universal. Information is the key to maintaining that competitive edge in the marketplace. What differentiates one company from another is effective management and use of information to gain business advantage. Making the right information available to the right person at the right time is critical. This where technology takes centre stage.

In an era when buyers can easily source the best product at the best price, the ability to adjust quickly to meet customer preferences or adapt rapidly to a changing market becomes a prerequisite for survival. This flexibility can be gained in large part through easy access to business-relevant information. We all know that when it comes to information, sometimes a minute can make or break a deal. This need for speed puts pressure on core processes such as planning, manufacturing, logistics, inventory, administration, and sales. When the marketplace demands that a company make changes to its products, the ripple effect can touch every aspect of a business. The key to achieving cost-effective and timely solutions lies in the automation of your core processes. This means putting in place systems that allow you to procure external information from a variety of sources, analyse it, develop intelligent new strategies based on it, and finally to implement these strategies with efficiency and accuracy.

Streamlining core operations gives a company easy access to information required for daily business operations, helping it make quick and better-informed decisions. If you take the example of a manufacturing concern, automation can help develop your line employees into knowledge workers, transforming your company's core production processes into a competitive advantage.

An automated process control system enables plant operators to fine-tune plant efficiency and analyse performance trends in real time. An intelligent scheduling system can prioritise orders based on delivery commitments. This would mean turning your operators into businesspeople, giving them the information they need to run their units efficiently and the responsibility to make their own decisions. Efficient management of the shopfloor can bring down costs significantly.

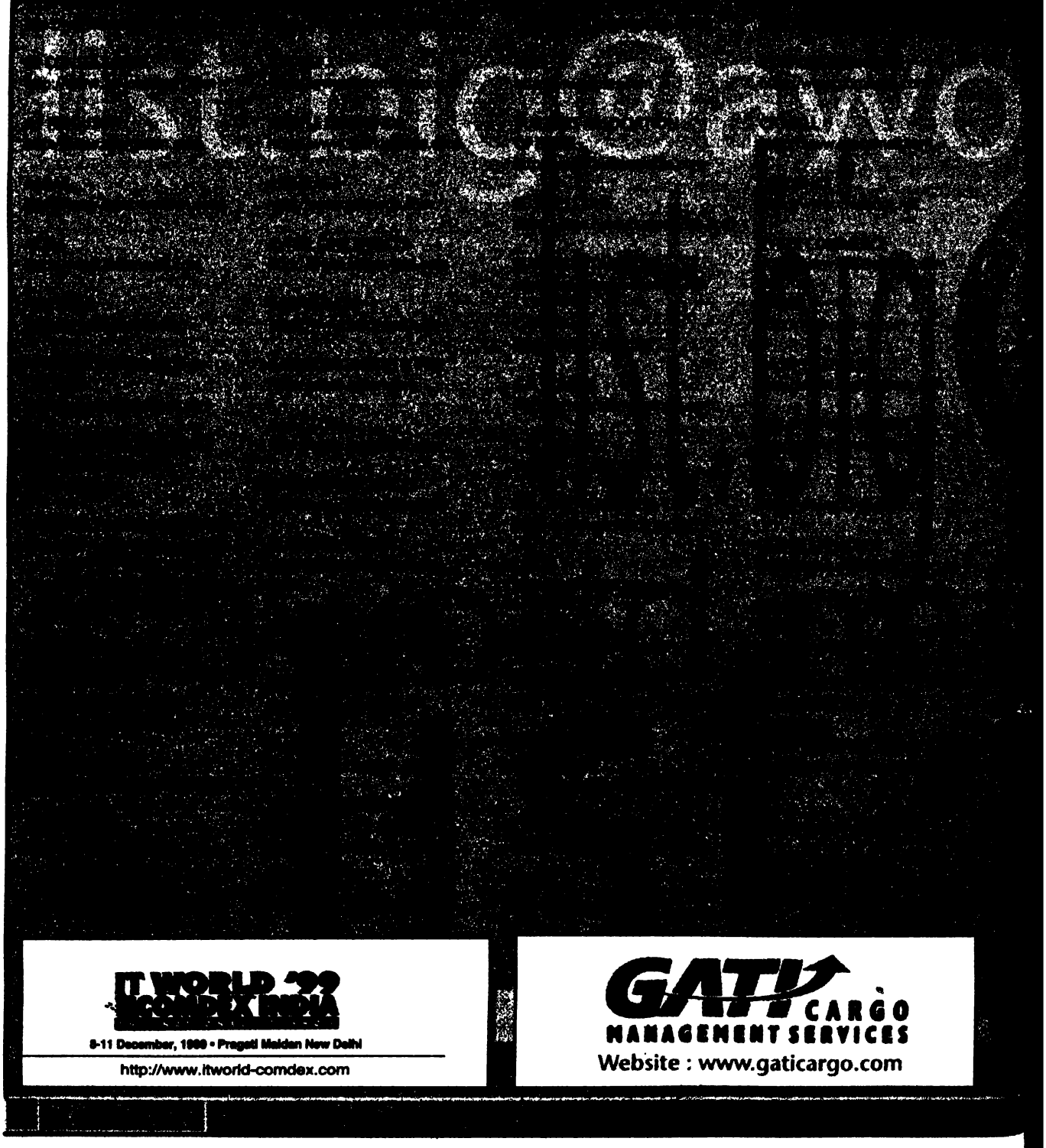
Apart from extraordinary efficiency gains, automation also lays the foundation for integration with the company's other business systems and gives you a flexible process control system to meet changing customer orders. It allows you to extract data from your production process and utilise it when planning for other business units such as manufacturing, resource planning, and inventory management. With a common order entry, inventory, and scheduling software, the management can get an overall view of the entire manufacturing capability from a single system.

Automation is a necessary but insufficient condition for a company to be competitive today. Often automation takes place according to priority and each core process is automated in isolation, independent of the other processes within the company. Investments made by companies in technologies are on a need basis. Automation sometimes takes place at different levels at different times, involving different technologies. Consequently, each area in the company's line of business will be using diverse applications. Although each of these processes are automated *per se*, you still get broken-down information unless these applications communicate with each other. Simply automating all your processes is not sufficient. The key is integration. Information gathered by one department must be accessible to workers in other departments to facilitate decision-making. Sharing information is usually cumbersome and slow. In many companies ordering, manufacturing, and sales data reside on separate computer systems. Real efficiency comes when systems tie in seamlessly, allowing information to flow smoothly to all parts of an organisation.

Companies need to have free information flow, within the organisation and with suppliers, vendors, and customers. This means setting up a framework of technology for corporate intelligence which allows employees to call on knowledge that resides within an organisation and use it to respond quickly and creatively to the demands of the marketplace. Companies that use these building blocks to create a tightly integrated system reap the benefits of greater speed, increased efficiency, and intelligent decision-making. •

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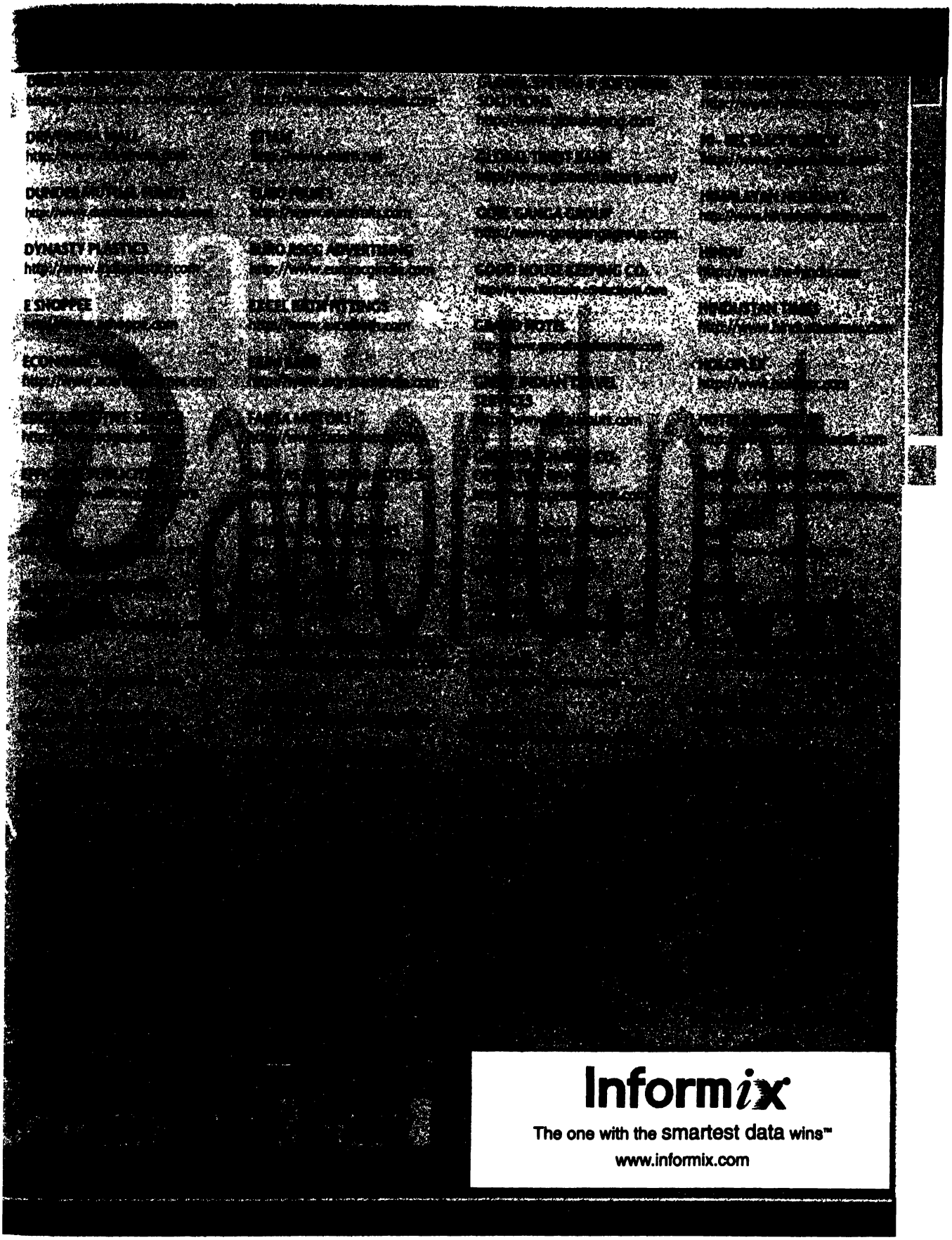
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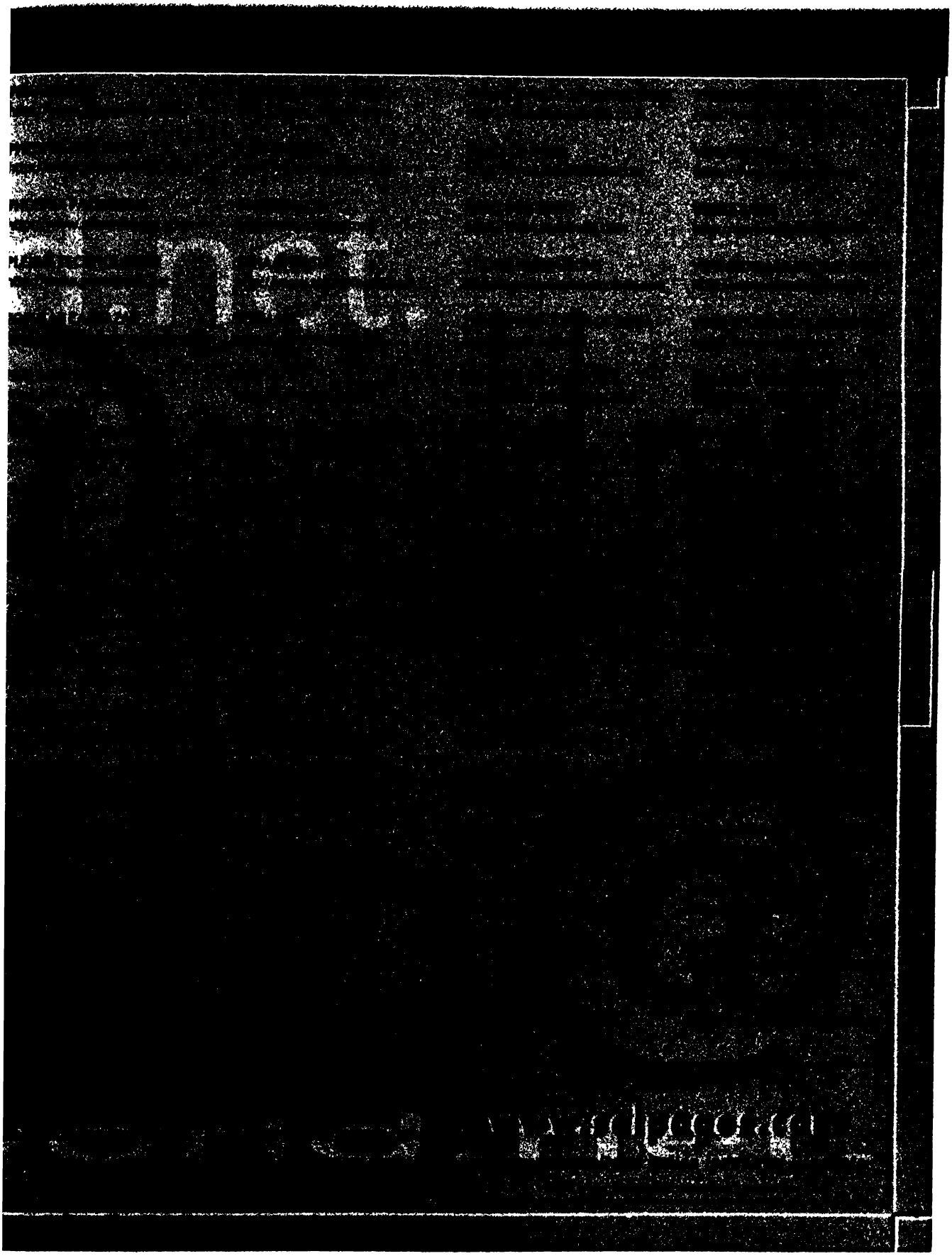
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CHETAN PARIKH

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Survival of the fittest

US stock exchanges are battling to stay relevant in the age of ECNs

Late last month the Chicago Stock Exchange launched after-hours trading in an attempt to foil the formidable threat of electronic matching systems called Electronic Communications Networks or ECNs. Earlier this month, US investment bank J.P. Morgan announced a plan to launch euro-zone electronic trading in benchmark government bonds, which will allow its institutional clients to directly buy and sell liquid bonds online. NYSE, America's premier stock exchange, had shielded itself through Rule 390 which prohibits members from trading stocks away from the NYSE floor.

However, following strong pressures from the Securities and Exchange Commission (SEC) and competitors to fundamentally reform itself, the exchange plans to issue its shares next year to public investors. (SEC chairman Arthur Levitt felt that if the NYSE did not make a hi-tech overhaul, it would be driven out of business in five years by faster and more efficient competitors.) As *Barron's* (1 November 1999) reported: "A publicly traded NYSE would have this big advantage *vis-à-vis* its competitors: Congress and the regulators think its brand name is so closely identified with American capitalism that the government would never allow it to fail."

Nasdaq market markers have lost 30 per cent of their trading volumes to ECNs. A shell-shocked Nasdaq wants to enlist 5,000 small broker-members to convert to a for-profit exchange through a private stock placement. Ultimately, Nasdaq may itself do an IPO, after having listed so many. Douglas Atkin, CEO of Instinet Corp, the largest of the Electronic Communication Networks, has stated that his ECN saves his customers $1 billion annually in trading costs by cutting out all middlemen.

The SEC itself set the ball rolling for the astounding growth of ECNs by changing order-flow rules in 1996 so that investors could trade on the networks after hours. Some of the new trading platforms are owned directly or indirectly by media giants like Reuters, Bloomberg, Dow Jones and CNBC. ECNs are currently matching buyers and sellers internally, without exposure to the broader market. However, two ECNs have applied for exchange status.

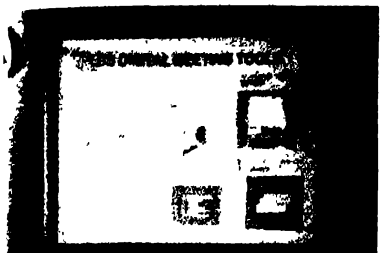
The SEC wants to level the playing field so that no player has a regulatory advantage, but at the same time it wants to ensure that rules and regulations do not discourage innovation. Currently, brokerage firms are prevented from trading many of NYSE's listed shares on ECNs. These constraints are likely to be removed. The SEC also intends to force the ECNs to reduce or eliminate the fees they charge non-members for trading on their systems. •

ECNs could face a further threat. Nasdaq proposes to provide the over-the-counter market with an electronic version of a central limit-order book displaying the best bids and offers available from any ECN or broker-dealer. Also, participation would be purely voluntary. ECNs fear the proposal for two reasons. One, Nasdaq has a history of poor and over-priced electronic service for execution of trades. Besides, with a central book, there would be less incentive to send an order to an ECN.

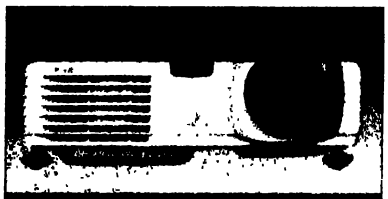
In a 29 June 1999 speech, SEC commissioner Laura S. Unger made a few observations: "Are floor-based exchanges like the NYSE on their way out? The floor-based exchanges already do most of their trading electronically now. All of the floor-based exchanges have electronic order routing networks and limit order books. The NYSE's SuperDOT order routing and trade reporting systems is a huge electronic network that broker-dealers across the country can access from their desktops. Meanwhile, the regional exchanges receive well over 90 per cent of their order flow electronically, and automatically execute most of it without any human intervention. As a result, it is mostly liquidity that determines the success or failure of any trading system. Someone can always build a better mousetrap. In this case, the mouse is liquidity. Without it, a trading system will end up on the trash heap of trading system history. And liquidity is a sticky thing. Once it has settled somewhere, it is hard to pry away. Liquidity would migrate away from a primary market only when the costs of accessing it become extreme relative to other markets."

When the dust has settled, who will remain? A recent issue of *Business Week* stated, "Electronic links will tie players together: A stock order placed in the NYSE would be exposed to Nasdaq and ECN traders. But markets could opt out of linkages if they were able to match orders internally. Some ECNs could handle fast retail executions, while others could accept big institutional orders that need special attention. Experts expect the NYSE, Nasdaq and two to four ECNs-turned-exchanges to thrive." •

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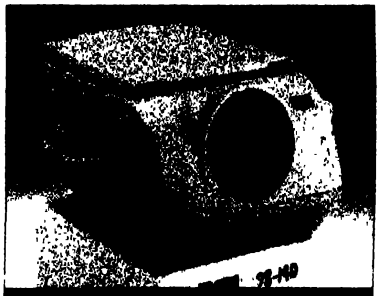


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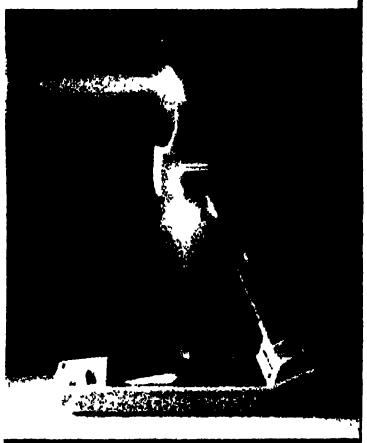


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A boon in disguise

Deferring the GDR issue could pay off for MTNL, though in a completely unexpected manner

First, the bad news. The government's decision to postpone Mahanagar Telephone Nigam's (MTNL's) Global Depository Receipt (GDR) issue last fortnight in order to realise a better price later, could turn out to be a false move. Rather than improve, the share price could dip further in the next few months, warn analysts. But the good news is the government could receive more than four times the amount it had expected from the divestment, if a sudden deal with a European telecom giant materialises in the next couple of months.

That giant is France Telecom. And it is interested in buying up to 10 per cent stake in MTNL, say industry sources, for as high a price as Rs 300 per share. If the government agrees, the deal could fetch it close to Rs2,000 crore, instead of the Rs400 crore initially estimated through the GDR divestment. "They (France Telecom) had earlier talked about equity participation," says MTNL chairman and managing director S. Rajagopalan. "That might have been revived in the government. After all, there is no smoke without fire." Sources say France Telecom is interested in expanding MTNL's existing public call offices (PCOs) network through the use of smart cards, and offering consulting services in technical areas such as fibre optic connectivity.



Rajagopalan hopes to impart some respectability to MTNL before the GDR issue is launched again next year

Rajagopalan denies that negotiations are currently on between MTNL and France Telecom. But he is still planning a move that will smoothen the way for such joint ventures in future. On 19 November, Rajagopalan hopes to pass a few resolutions in an extraordinary general meeting (EGM) which will amend MTNL's articles of association and empower the board to take independent decisions on JVs, partnerships, and new subsidiaries, without seeking the government's approval. If the resolutions go through, Rajagopalan will be immediately able to partner not only with France Telecom, but also with Singapore Telecom (SingTel) whose expertise he is keen to use mainly in MTNL's proposed GSM cellular project. Says Rajagopalan: "It is a good idea to pledge yourself to a partnership if the partners understand each other well."

Both France Telecom and SingTel could well prove to be the right fit for MTNL. Rajagopalan maintains that SingTel and MTNL have a lot in common – both are facing competition for the first time, both are striving to beef up customer care. SingTel also has an efficient directory division, which Rajagopalan is keen to emulate. And the relationship with France goes back to 1983-84 when it transferred the E-10B technology to India, which formed the backbone for the country's rapid expansion of telecom services. According to a Department of Telecommunications source, the good thing about the France Telecom deal is that France Telecom mainly wants to provide technology inputs to MTNL, but it is not pushing for either equipment sales, or an operating interest in the company.

Now, more than ever, Rajagopalan needs such partnerships. Despite trying to transform MTNL into a savvy telecom major by modernising its ageing network, and entering new business, Rajagopalan has clearly failed to impress investors. The present market sentiment about MTNL is unfavourable to say the least, a fact that has been reflected in the movement of its share price the last few weeks. From a high of Rs221 on 20 October, the scrip crashed to Rs159 on 1 November and is currently trading at Rs189 (11 November) on the Bombay Stock Exchange. In the international market, MTNL's GDRs are languishing at $9.63 (11 November 1999). The GDRs were issued at $11.96 in December 1997, when MTNL approached the GDR market for the first time.

It is this poor sentiment that prompted MTNL's GDR bankers Merril Lynch, Goldman Sachs, and HSBC to advise the government to withdraw the issue at the final hour. The government had planned to sell 19 million shares (3 per cent of its 56.25 per cent holding) for Rs210 each to generate Rs400 crore, but the bankers were only willing to commit to a price in the range of Rs125-150. That would have fetched the government anything between Rs250 crore and Rs285 crore. "It was ridiculously low," says Rajagopalan. "It would have looked like a garage sale. This is an important PSU."

No doubt. But for investors, the only thing important is the company's top and bottomlines. And that it precisely where MTNL has been found

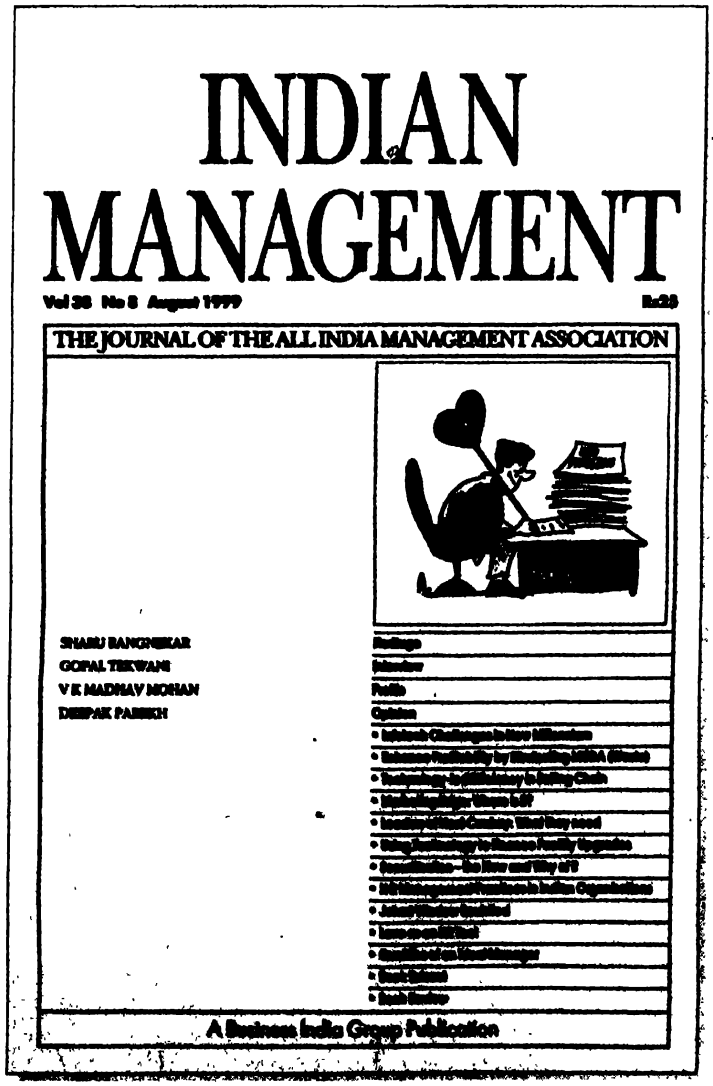
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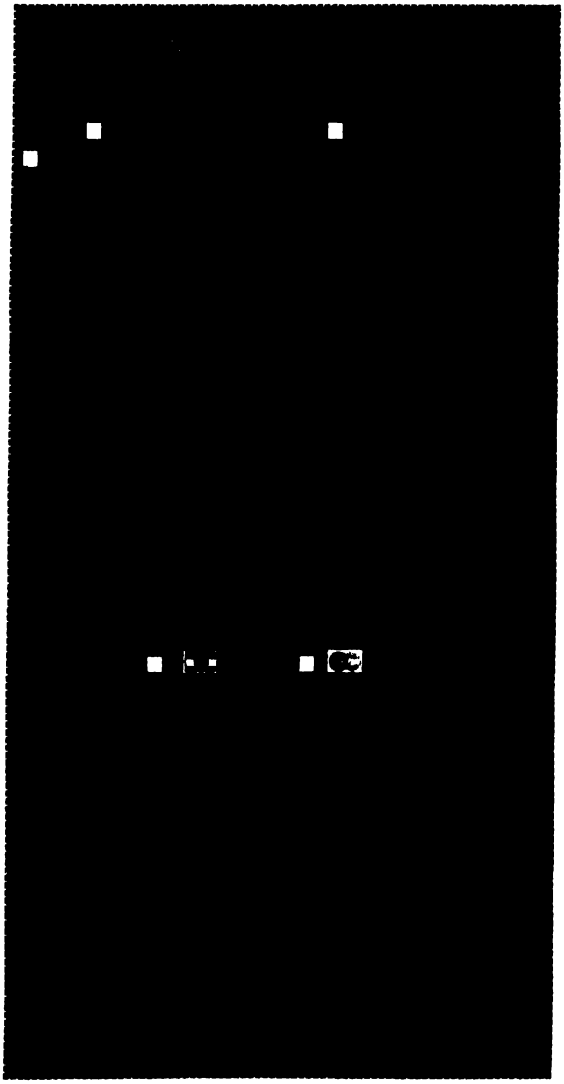
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lacking of late. For the second consecutive quarter this year, MTNL has suffered a setback in revenues and profit. For the six months ending 30 September 1999, MTNL's sales dropped 4.6 per cent to Rs2,484 crore, compared to the corresponding period last year. Net profit, too, slid 4 per cent to Rs648 crore. But what really alarmed investors was a closer look at the performance during the last three months: Sales fell 8 per cent to Rs1,220 crore and net profit 14 per cent to Rs323 crore, against the same period last year.

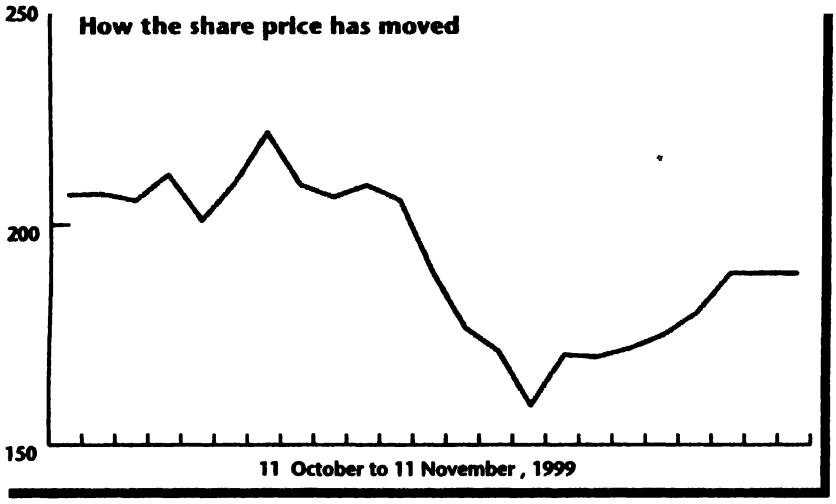
Of course, Rajagopalan explains that the reason for the dip is extraneous to the company. Lower revenues, and, consequently, profit, are the results of the tariff rebalancing order passed by the industry watchdog, the Telecom Regulatory Authority (TRAI), earlier this year. Local calls are now more expensive, while STD rates have dropped somewhat. But while the number of local calls made by subscribers has quickly dropped, people are yet to start calling more long distance. "We explained that these were short term glitches, that things would improve over the long term," says Rajagopalan. "We also told the bankers that we were looking for long term investors like pension funds, not speculators out to make a fast buck. But they weren't upbeat."

To be sure, it isn't just the poor financial performance that has created the present market sentiment. Rajagopalan has also slipped, feel investors, in delivering on promises made during the launch of the first GDR. One such is the GSM cellular service, which was slated to become operational more than a year ago. Rajagopalan concedes MTNL has failed on this score, but that is only because court cases prevented him from launching the service. In fact, the tender for procuring equipment had been floated, Rajagopalan points out, and had to be later cancelled. The other failure is the shortfall in the number of new lines. MTNL had committed to adding 450,000 lines between April 1998 and March 1999, but managed to achieve only 296,000 lines.

There are other reasons. An important factor, says Rajagopalan, is the uncertain regulatory environment prevailing at present. This has worried investors, who are unsure of the powers enjoyed by the TRAI. Also, the bankers and the financial community are apprehensive about making deals close to the year-end because of the Y2K uncertainty. Most of them are closing shop by the end of this month, and the international financial sector is likely to be in a limbo. Any new deals could only happen in the beginning of the next year. DoT sources say the issue could be revived in January-February.

Would the sentiment have improved much by then? Unlikely, says a telecom finance expert, even if the third quarter result is better, as Rajagopalan promises it will be. The shares might fetch an even lower price than now, says the finance expert, because calling off an issue sends wrong signals to investors. MTNL's real failure has been in managing investor relations. The effect of tariff revision is a temporary phase, and that should have been explained clearly to major foreign institutional investors, such as Capital International, Soros, Oppenheimer, and Threadneedle, who between them own close to 20 per cent of the company. Also, MTNL has dug its own grave by defying the regulator at every step, something international investors are very wary of. In such a situation, a gap of two or three months, may not make much of a difference.

Rajagopalan admits he isn't expecting miracles in that time, but he does hope to infuse some semblance of respectability to MTNL before he faces international investors, perhaps as early as in January. The GSM project is finally underway, the tenders have been floated, and the technical bids were opened last fortnight. By 31 December, Rajagopalan hopes to place the orders for the equipment. By the first quarter of the next financial year, he expects to have the service up and running. Simultaneously, he also hopes to grow the number of Internet subscribers three-fold from the present 20,000 to 60,000 in the next two months through competitive marketing, and transfer the business to a separate subsidiary, Millennium Telecom, once MTNL's articles of association are amended.



Analysts, however, feel that the best short term restorative for MTNL's image could be the listing on the New York Stock Exchange (NYSE), which Rajagopalan has been contemplating for some time. This will not be a fresh issue, but a conversion of the existing GDRs to American Depository Receipts (ADRs). There is no denying that MTNL has strong long term fundamentals and yet is perhaps the lowest quoted telecom stock in the world, which naturally makes it an attractive pick. A successful NYSE listing, along with partnerships with the likes of France Telecom and SingTel if they happen, would no doubt boost MTNL's image considerably in the international market. There would be no worries about bad news then.

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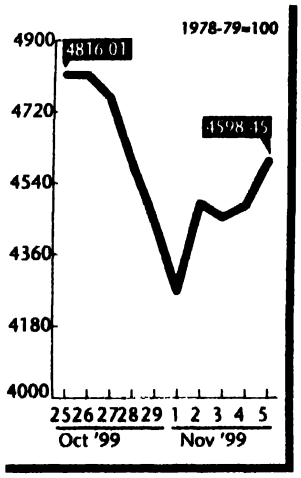
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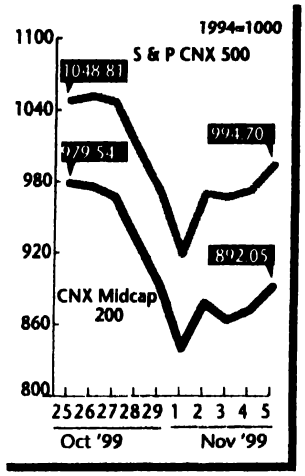
Partners for the New Millennium

Indicators for fortnight ended 4 November 1999 — Equities

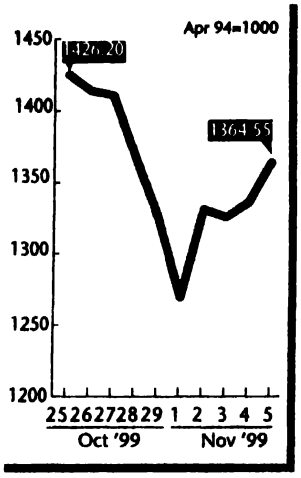
BSE-Sensex



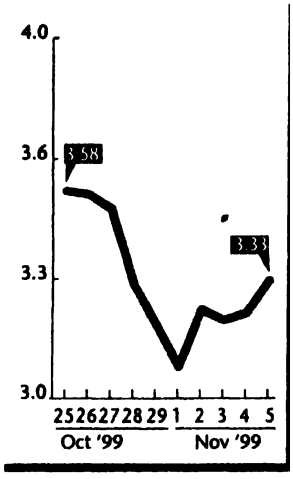
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 -Best Performing Industries

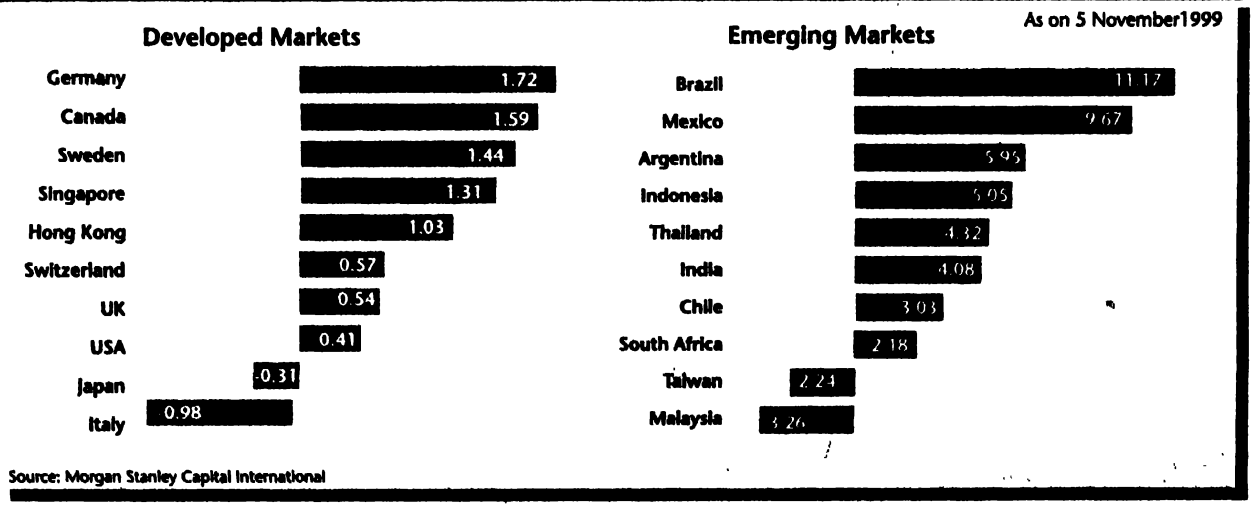
Industry Name	2-week % change	Yearly % change
Diesel Engines	7.53	76.95
Computers - Software	4.22	293.87
Diversified	0.25	85.85
Paints	-3.24	40.46
Industrial Gas	-4.83	89.92
Refineries	-5.02	8.16
Castings/Forgings	-5.02	467.24
Financial Institution	-5.58	30.10
Telecommunication-Services	-6.31	34.71
Personal Care	-6.62	59.42

S&P CNX 500 -Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Consumer Durables	-24.62	64.85
Oil Exploration	-23.89	-23.62
Miscellaneous	-19.41	95.58
Fertilisers	-18.00	50.77
Metals	-17.86	130.27
Computers - Hardware	-17.58	303.50
Finance	-17.22	78.64
Brew / Distilleries	-17.05	101.42
Electronics - Industrial	-16.81	140.42
Chemicals - Inorganic	-16.34	22.02

Monthly change in world stock indices

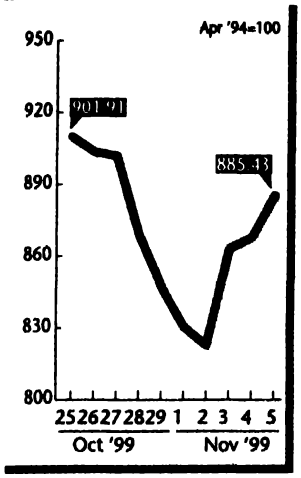
As on 5 November1999



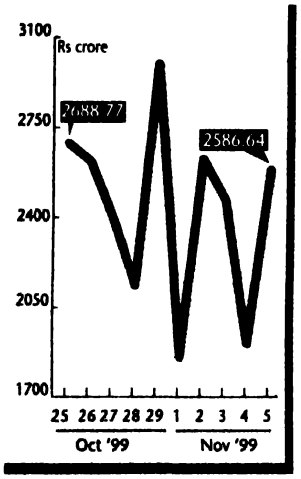
Source: Morgan Stanley Capital International

Equities

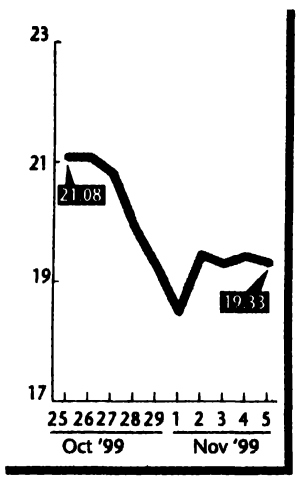
Skindia GDR-Index



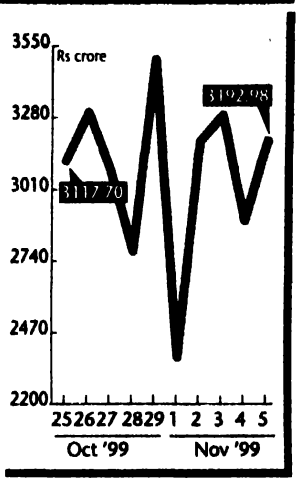
BSE-Volumes



Sensex PE



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-5 Nov Rs	2-week % change	52-week High/Low
Parekh Platinum	27.15	-34.26	50/8
Century Textile & Ind	51.20	-33.98	96/22
Jindal Iron & Steel Co.	22.30	-33.03	37/10
BPL	319.00	-32.40	637/112
Jindal Strips	103.80	-32.16	105/34
Rashtriya Chemicals & Fert.	19.95	-32.03	32/5
Shaw Wallace & Co.	64.10	-31.66	107/63
Herbertsons	77.00	-31.19	113/44
Kalyani Steels	29.95	-30.75	46/10
Amara Raja Batteries	170.25	-29.76	346/160

S&P CNX 500 -Best Performing Stocks

Company	Price-5 Nov Rs	2-week % change	52-week High/Low
Sri Vishnu Cement	89.40	17.63	103/22
Cummins India	563.45	14.99	652/264
Mastek	3748.20	13.58	4150/310
SSI	1002.55	11.52	1003/255
Raasi Cement	276.05	11.31	290/156
Infosys Technologies	7970.00	8.72	8875/1137
NIIT	2421.00	7.36	3350/840
Bajaj Tempo	210.00	5.00	247/110
Satyam Computer	1525.00	4.75	1710/248
KRONE Communication	253.45	4.30	264/45

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price- 5 Nov Rs	2-week % change
Steel Authority of India	907.19	11.90	-16.20
Reliance Industries	832.57	231.90	-11.66
State Bank of India	479.25	235.00	-12.77
Silverline Industires	428.71	414.30	-12.59
Tata Iron & Steel	414.06	142.25	-12.19
Satyam Computer	321.39	1525.00	4.75
Ranbaxy Laboratories	299.93	953.20	-7.41
Pentafour Software	269.09	666.55	-5.55
Rolta India	265.81	144.00	-13.02
Himachal Futuristic	264.42	311.70	-8.59

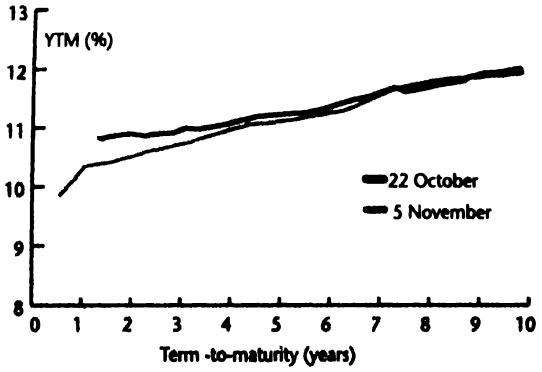
S&P CNX 500 -Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price- 5 Nov Rs	2-Week % change
Hindustan Lever	51356.32	2408.00	4.24
Wipro	26626.59	1217.00	-2.64
Infosys Technologies	24359.56	7970.00	8.72
Reliance Industries	22173.75	231.90	-11.66
ITC	17777.98	727.00	-8.32
Videsh Sanchar Nigam	13328.41	1451.00	2.87
State Bank of India	12836.98	235.00	-90.08
MTNL	11257.47	175.25	-15.70
Ranbaxy Laboratories	10588.19	953.20	-7.41
Larsen & Toubro	9975.65	469.25	9.25

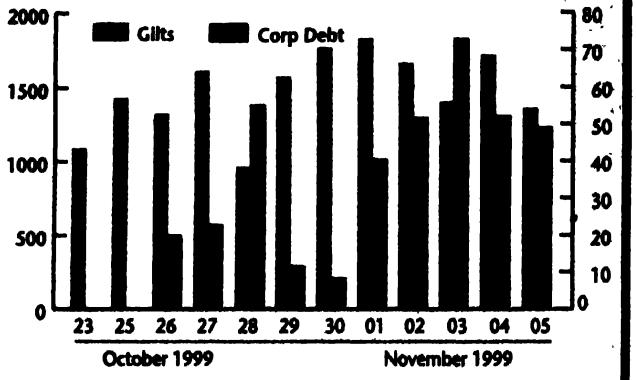
Source: India Index Services and Products

Debt

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	8.72	12.59	Call fell sharply on easy liquidity
Treasury Bills[2]	8.11/9.36/10.25	8.11/9.48/10.35	TB auctions, witnessed increased bidding interest
Bonds (AAA)[3]	12.25-12.75	12.50-12.75	Subdued issuance ahead of policy
Debentures (AAA)[4]	12.50-13.25	12.75-13.25	Low activity in this segment
ICDs[5] (Grade A)	11.00-13.50	12.00-14.00	Low market activity
CPs[6] (P1+)	10.00-11.25	11.00-11.50	CP rates moved lower with call rates
PLRs[7]	12.00	12.00	Credit growth continues to be strong

1:Call money is fortnightly average rate; 2: Treasury bills (TBs) are cut-off yields on 14 day TBs, 91day TBs and 364 day TBs at auctions; 3:Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5:Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market; 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

Oct 8 -22 * Oct 23 - Nov 5

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
MRPL	NCD	100	2002	LA+	15.32
NALCO	NCDs	100	2005	LAAA	13.56

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
REC	AAA(so)	Bonds/ MIBOR+50bp	125+150	3
ABN Amro	AAA	Bonds/ 12.50	100	7

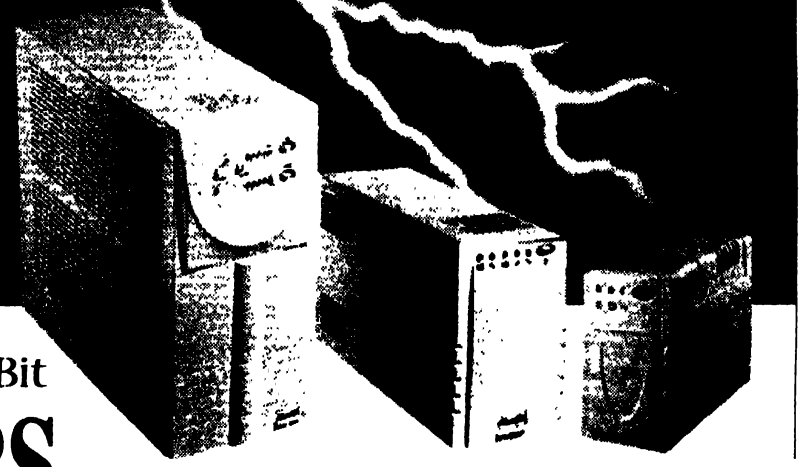
Snapshot

Debt market sentiment turned positive following RBIs announcements for the monetary and credit policy for 2HFY00. RBI announced a 100 bp cut in the CRR. This move caused a rally in gilts with gilt prices appreciating across the board. The yield movement was more sharp at the short end of the yield curve. Auctions witnessed increased bidding interest and at lower yield levels. Liquidity eased during the period and call ruled close to 8% levels at the end of the fortnight. Secondary volumes were significantly higher. The INR continued firm during the fortnight. Liquidity would be easy in the coming fortnight and the forthcoming auction would not cause any tightening. We expect increased inflows into the gilt market in the coming fortnight to cause prices to appreciate further.

Source: SIDCAP; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

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Business India-Credence: Mutual Fund Performance
Growth Schemes



If Rs 10,000 was invested in each of these schemes on 30th October 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Price Based Rs	% change	Risk grade	Issue date	Redemption date
1	Birla Advantage Fund	Birla MF	26500	165.00	26191	161.91	II	24-Feb-1995	Open Ended
2	Libra Leap	HB MF	25149	151.49	NA	NA	I	27-May-1996	06-Sep-2001
3	KP Prima	Kothari Pioneer MF	24749	147.49	23881	138.81	V	30-Nov-1993	Open Ended
4	Apple Midas Fund - Goldsh	Apple MF	24642	146.42	16079	60.79	II	02-May-1994	Open Ended
5	Alliance Equity Fund	Alliance Capital MF	24420	144.20	23586	135.86	I	27-Aug-1998	Open Ended
6	Zurich India Equity fund	Zurich India MF	23563	135.63	22203	122.03	IV	24-Dec-1994	Open Ended
7	GIC Growth Plus II	GIC MF	23468	134.68	NA	NA	III	27-Jan-1994	Open Ended
8	Apple Platinumshare	Apple MF	22767	127.67	22119	121.19	I	21-Jan-1995	Open Ended
9	KP Prima Plus	Kothari Pioneer MF	22246	122.46	21508	115.08	II	28-Sep-1994	Open Ended
10	Master Value Unit Plan 1998	UTI	21388	113.88	NA	NA	I	30-June-1998	30-June-2003



59	Ind Ratna	Indbank MF	13894	38.94	12778	27.78	II	22-Feb-1990	22-Feb-2001
60	Tata Young Citizens Fund	Tata MF	13766	37.66	NA	NA	I	30-Sep-1995	Open Ended
61	GIC Fortune 94	GIC MF	13721	37.21	13322	33.22	II	02-Dec-1994	Open Ended
62	ICICI Premier	Prudential ICICI MF	13605	36.05	15741	57.41	IV	08-Jan-1994	09-Jan-2000
63	Ind Navratna	Indbank MF	13437	34.37	10190	1.90	III	25-June-1994	30-June-2004
64	JM Equity Fund (Div)	JM MF	13153	31.53	13022	30.22	II	22-Dec-1994	Open Ended
65	UTI - UGS 10000	UTI	12571	25.71	NA	NA	I	29-May-1998	Open Ended
66	Dhanasamriddhi	LIC MF	12022	20.22	NA	NA	I	10-Aug-1994	Open Ended
67	Dhanaraksha 89	LIC MF	11417	14.17	10824	8.24	II	19-June-1989	Open Ended
68	PNB Premium Plus (Gr)	PNB MF	9607	-3.93	NA	NA	I	15-Jan-1992	16-Jan-2000
	Median Return-Peer Group		16518	65.18	15883	58.83			
	SNP CNX 500		17045	70.45					
	BSE Sensex		15803	58.03					
	BSE Natex		16430	64.30					



1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all shortlisted schemes.



The shortlisted growth schemes have under-performed the benchmark, the broad-based S&P CNX 500 index. The annual median return of these growth schemes is 65.18 per cent as compared to the 70.45 per cent of S&P CNX 500 index. The present rally in the market has been broad-based as SNP CNX 500 index has out-performed the premier index BSE Sensex. Of the shortlisted 68 schemes, 44 per cent of the schemes have out-performed all the benchmark indices. Schemes having significant exposure to stocks of cements, pharma and automobile sectors have continued to appreciate and have outperformed the benchmark index.

The investment performance, however is not uniform across the schemes, with top five schemes generating an annual return of over 140 per cent while the bottom three schemes managed to return less than 25 per cent.

Compared to last mutual fund ranking (as on 18 September 1999) on growth schemes, GIC Growth Plus II of GIC MF, and Master Value Unit Plan 1998 from UTI have been added to the top 10 rank while magnum Multiplier Plus from SBI MF and Sun F & C Value Fund from Sun F & C MF have dropped out of the list.

Analysts are predicting that Canada's second largest airline will be bankrupt by early next year as its cash reserves stand at just $88 million. Canadian Airlines may be heading for bankruptcy following a surprise decision by Onex

Canadian Airlines

Corporation to drop its bid for the carrier. Onex, a Canadian buyout company, had intended to merge Canada's two airlines but dropped the bid after a Quebec court ruled its offer illegal. For Canadian Airlines, the resulting scenario now seems bleak as it may be forced to accept a US$63 million takeover bid from its rival Air Canada or alternately seek help from AMR Corporation. AMR, the parent company of American Airlines, owns a one-third share in Canadian Airlines. Bankruptcy can now only be avoided if Canadian Airlines receives C$300–500 million in financial assistance.

There's trouble in pharmaceutical paradise as the chairman and chief executive of Warner-Lambert, Lodevijk de Vink, has accused rival Pfizer of misrepresenting negotiations between the two companies. Problems have arisen over Pfizer's with-premium offer being refused by Warner-Lambert in favour of an agreed merger with American Home Products (AHP). Warner-Lambert officials are said to have been surprised by Pfizer's "vague and unsolicited" offer to merge after conducting year-long negotiations with AHP. As expected, Pfizer's offer was rejected in favour of AHP. The Warner-Lambert board is said to be convinced that the resulting company AmericanWarner would be a stronger company than a Pfizer/Warner-Lambert merger.

Pfizer

WARNER LAMBERT

Ford, the world's second largest carmaker, launched its electric car Th!nk in Europe last week. A two-seater electric car, the Th!nk is initially intended for the Scandinavian market and then later for the larger western Europe markets. Ford is also said to be considering launching the Norwegian-made runabout for sale in the US. While Ford already claims it is the world's largest manufacturer of cars run on LPG, Th!nk is emblematic of its entry into alternative fuels and new power technology. Ford had taken control of the Th!nk project by acquiring a 51 per cent stake in Pivco Industries, the Norwegian company that developed the car.

UK mobile operator Orange may be up for grabs soon. France Télécom has shown an interest in purchasing Orange in the event that it isn't itself taken over by Mannesmann, the German engineering and telecom group. France Télécom is in touch with the world's largest mobile phone operator, Vodaphone in connection with the bid. Vodaphone in turn is said to be thinking about the possibility of a hostile takeover of Mannesmann. In the event that Vodaphone does bid for Mannesmann, it

France Telecom

will have to immediately find another owner for Orange as it is in direct competition with Vodaphone in the UK. Advisors to Vodaphone are keen to either launch a hostile bid for Mannesmann with an agreement to sell Orange to France Télécom or alternatively encourage France Télécom to make a bid for Orange at the same time as Vodaphone does for Mannesmann. Currently Vodaphone has no other way of preventing Mannesmann from taking over Orange.

Sports Internet group Sportal is trying raise £30 million ahead of its flotation next year. The group provides links and owns the Internet rights to a number of soccer clubs and has appointed Morgan Stanley Dean Witter to raise the funds. Looking for funds to expand its list of sites, Sportal is also said to be looking at the Asian market closely. Currently Sportal provides links to official sites of soccer clubs, sports-specific sites, as well as general sites that have a sporting theme. The need for financial support comes at a time when Sportal is facing great competition in a market that has a handful of ambitious sports online companies. Sportal's main rivals are Sports Internet, 356 Corporation, and SportsLine Europe.

Computing group Misys is said to have rejected the concept of launching a tracker stock for its personal finance website slated to be launched early next year. Tracker stocks are a class of shares linked to the performance part of the company and are very popular with US companies like Sprint and Ziff-Davis. Tracker stocks are regarded as a way of releasing the value of highly-rated Internet and telecom companies. Misys believes that European investors are not quite ready for tracker stocks as yet as the Net is not accepted as an investment medium with institutions in Europe. The launch of Misys's personal finance Website will mean serious competition for eXchange Holdings, the UK's second-largest listed Internet company. Misys plans to provide free online quotations to financial institutions. While Misys aims to make money from a commission on sales, eXchange charges per stock quote.

WORD COUNT

"If we had begun the cases ten years ago, we would not have found a single judge to accept them. But, 20 years on, the political moment has arrived."

Human rights activist MABEL GUTIERREZ, *commenting on the Argentinean government charging seven of its former military leaders with the kidnapping and illegal adoption of 200 babies from families who had 'disappeared', in* THE ECONOMIST

"We're not pulling stuff off Reuters, E-Online or *Daily Variety*."

RICH BATTISTA *and* MICHAEL DOWLING *about quitting their top entertainment jobs to put Hollywood on the Internet with the launch of their Website Ifuse, in* FORBES

"It's like a great game, this haggling for a better price. It's fun."

Florida consultant NORM LEW, *enthusiastic about shopping on NexTag.com, a Website that allows shoppers to bargain with merchants, in* BUSINESSWEEK

The right choice

Alex Kuruvilla has just returned from Goa, so he's obviously looing and feeling like sunshine. He took a few days off to recharge his batteries and in the process discovered some exciting new spots including one where he bungee jumped. From somebody who was orginally into creative, Kuruvilla has made the transition to a suit rather smoothly. In college, Kuruvilla was bitten by the writing bug, but he was dissuaded by senior journos from taking the plunge as the profession was not lucrative enough.

Instead, Kuruvilla opted for creative writing (read copy writing) at India's premier advertising agency, HTA. But soon, he realised that copy writing was a different kettle of fish and he moved on to client servicing. This allowed him more control on the final product, he claims.

The first big break came when he was part of the HTA team that made a pitch for the much-coveted Pepsi account. HTA was keen to bag one of the flavours, but ended up with all the beverages. In fact, a year later, Pepsi moved its snack foods account out of Rediffusion to HTA.

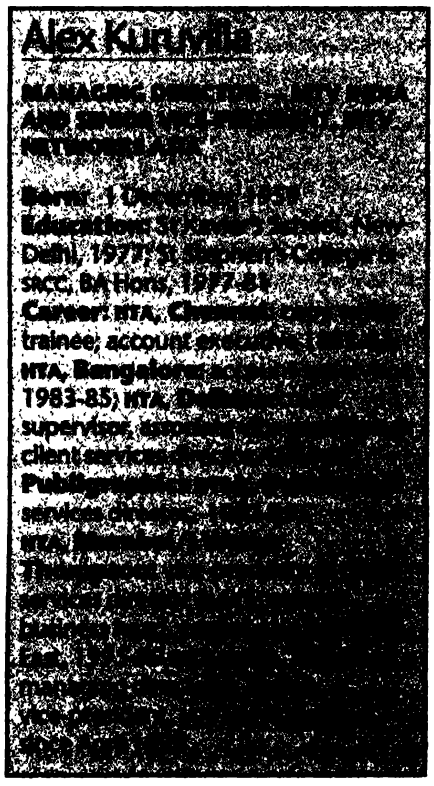
So what made the HTA pitch radically different? "I think what we brought to the table was the ability to demonstrate a balance of strategic insight and creative pizazz. This led to changing the rules of the game in the somnolent cola business." explains Kuruvilla. The campaign was a path-breaking one — featuring Remo Fernandes and Juhi Chawla and the famed catchline *'yehi hai right choice baby'*! The trendsetting 90-second commercial shot by film director Vidhu Vinod Chopra cost Rs60 lakh in 1990.

Kuruvilla remembers, "It took a lot of convincing because the client was initially adamant on using the globally successful Michael Jackson campaign, but the HTA team won the day. This was followed by another Pepsi commercial featuring Remo again in a duet with child star Penny Vaz. Shot by another hot shot film director Mukul Anand, the



commercial was a take-off on the international campaign featuring Ray Charles. By now the HTA team with Kuruvilla slapbang in the action was in overdrive.

The next challenge came in the shape and form of the Nestle account. A conservative Swiss company was



transformed overnight through the Maggi sauce commercial shot once again by Kakkar. The ad featuring Pankaj Kapoor and Javed Jaffrey used the Ajit platform of jokes to communicate with the consumer's mental space. Kuruvilla says, " My belief is that our cultural backyard has enough fuel to last us a 100 years. Can you get a better treasure trove of ideas than the Hindi film industry? All around us in this great country with its colours, we have icons which can be utilised in the visual medium. In my present job at MTV, I trying my utmost to achieve this."

By the early 1990s, the excitement had begun to wane and Kuruvilla formed the troika of top flight HTA-*wallahs* (including mentor Nikhil Nehru, and Dennis Joseph) broke away heading for Dubai. He says, "We felt that whatever we had imbibed at HTA could now be used in an international arena. Publigraphics was the largest agency in the Middle East, it was an affiliate of DY&R. The idea was to apply all the learnings from India, but some level of frustration crept in, as a peculiar kind of inverse snobbery was being practised in the Gulf. We were there on white salaries and we didn't kow-tow to the other expats' whims and fancies. However, I must confess that we worked with cultural constraints and used creativity to make the breakthrough."

Kuruvilla finally opted out of Dubai returning to Mumbai. HTA got wind of the fact that he was in town and once again offered him a troubleshooting assignment. This time it was Kellogg's and the object of the exercise was very familar territory for Kuruvilla — Indianise an international brand. But it wasn't long before his next calling came up.

Unilever asked for a head of business covering the central Asian and Middle East region. "It was terrific exposure, I was networking from Morocco to Dubai to Bangladesh, setting up systems and hiring people as the job responsibility encompassed all creatives for Unilever products across the region. It entailed two years of incessant travel and this obviously meant personal learning."

But music has been in Kuruvilla's soul and this has brought him to his

present assignment. "I have been watching this brand (MTV) since 1986, fascinated by the visual idiom and the global icon." Kuruvilla thrives in the young, vibrant and whacky environment which is MTV India. MTV is the leader in the music channel business. Headhunted by a Hong Kong-based group, Kuruvilla is in his element at MTV. "There is no time lag in execution of ideas. The faster pace of creativity and change is all pervasive. I have a passion for music and all the skills that I have developed over a period of time are being brought to bear in this job. Localisation is one of the most important aspects and there are many things one fantasises about which can be turned into reality in MTV."

The last six months have been a high octane roller-coaster for Kuruvilla. On All Fools Day when Kuruvilla walked into the Mumbai MTV office, he was greeted by emptiness and silence, as the entire staff decided to play a prank on him. That same evening, Kuruvilla jetted off to the US and Palm Beach for the annual worldwide MTV management retreat. Though tight-lipped about financials, Kuruvilla says, "MTV India's revenues are growing so fast that in the first quarter of 1999, we have done more air time sales than what we did in the whole of 1998. Over the last three months, we have signed 70 new clients and the advertisers on MTV include Pepsi, Sony, HLL, P&G, Coke and Bajaj Auto."

Kuruvilla wants to build MTV India into a 360 degree brand, concentrating on creating a spanking new destination for youth. Already reaching 11.7 million households, the big challenge before Kuruvilla is a localised content driven Website in the first quarter of 2000 followed by a rapid increase in penetration on the ground through licensing, franchising and brand extensions.

Till then, he is listening to his favourite latino music and honing his culinary skills. A multi-dimensional persona, not only does Kuruvilla cook Thai cuisine, but he is going hammer and tongs on his notebook — adding another chapter to his novel up for launch next year.

◆ SANDEEP BAMZAI

FRONTRUNNERS

The assured associate



"I don't think I'll ever look back," declares Abhijit Gajendragadkar, recently appointed associate partner at management consultancy firm Andersen Consulting. The 36-year-old, who has been with Andersen Consulting for a decade now, says he's perfectly satisfied with what he has achieved so far as well as with all that he gets to do at Andersen. "There's never been a dull moment in these 10 years, the work has been extremely stimulating and you are always learning," he says.

Before joining Andersen Consulting, Gajendragadkar had put in a stint at N.M. Raiji & Co during which he also completed his CA. Earlier, he had picked up a degree in electrical engineering from VJTI and an MMS from Bombay University (he specialised in finance). Armed with such an impressive CV, Gajendragadkar joined Andersen Consulting as a staff consultant in 1989, working his way up to his latest designation. The past decade has seen him work on various assignments, picking up experience in the areas of supply chain re-engineering, organisation redesign, finance and so on.

As associate partner, Gajendragadkar will primarily be responsible for the automotive and industrial sectors, where he expects his prior experience with clients like M&M, Telco, Voltas and the like to hold him in good stead. And he has made it his mission to continue to "deliver more value" to his clients. But that's not all. He also feels responsible for people within his organisation. "My efforts will be at building best people within the practice, to ensure that the aspirations of the people working on various projects are fulfilled," says Gajendragadkar, who shares the credit for his success with his wife, a Marathi short-story writer, and a "big support throughout".



Chilling out

As project head (India), Sno Shack Frozen Foods, 30-year-old Mounik Pani finds himself doing a variety of jobs – travelling with the cold chain from Mumbai where the imported Blue Bunny ice-creams offload, organising a team to spend two hours a day at ice-cream outlets in Delhi for consumer feedback and travelling to Chandigarh and Ludhiana to oversee operations there. "I have been with the company right from the conceptualisation stage," says Pani.

For Pani, joining Sno Shack was a major career shift. After majoring in finance and marketing in his MBA, this economics graduate decided to concentrate on the finance sector. Thus, stints at Phoenix International Finance and VLS Finance, followed. At the former, Pani worked his way up from the trainee level to the senior executive level. He was assistant manager, at the latter. Pani then decided to work for smaller companies. "A smaller company provides more challenges," says Pani, who worked as branch manager with Dynasty Financial Corporation supervising a small team of eight people and looking after the company's merchant banking, research and consumer finance divisions. Two years ago, Pani moved to Sno Shack, where again he has a small team of 15 people.

Although Pani admits that the biggest challenge of his career is to make Blue Bunny ice-creams a household name, he is not unduly worried about achieving his goals. Says he, "We have a very clear focus. We concentrate on only three things – placement of the ice-cream in a cabinet, placement of the cabinet in a shop and the placement of the shop in the market. All we need is a dedicated team." Of course, working with Sno Shack leaves Pani with little time to do anything else.

◆ PUNAM THAKUR

Coveted post

With Bank of Baroda chairman and managing director K. Kannan slated to retire this month-end, hectic lobbying has already commenced in Delhi's corridors for the top job at one of the country's most profitable nationalised banks. The buzz is that Kannan is not keen on an extension with the bank. Apparently he's been appointed chairman of Indian Banks' Personnel Selection (IBPS) board, where he's slated to take charge on 1 January 2000.



PALASHRANJAN BHAUMICK

Ballabh is the prime candidate for BoB chief

Meanwhile, banking circles are speculating about the likely candidates to succeed Kannan at BoB. The names doing the rounds: Janki Ballabh, deputy managing director (international banking) at the State Bank of India; Dalbir Singh, CMD with the Oriental Bank of Commerce; Surinder Singh Kohli, CMD of The Punjab & Sind Bank; and K.V. Krishnamurthy, CMD of SyndicateBank. The favourite? Ballabh seems to have the best chance, say bankers.

Veteran opts out

Although the Singhanias and Piaggio, partners in LML, have finally ended their acrimonious dispute, the pressure on the two-wheeler manufacturer is hardly off. Competition (Bajaj Auto and TVS-Suzuki) has revved up in its core scooters business and it now doesn't have a technical collaborator. Recently, of course, it tied up with Daelim Motor Company of South Korea to enter the four-stroke motorcycle segment next year. Again, this is a highly competitive segment, so bruising market battles lie ahead.

The big question now is: who's going to front this battle at LML? The cloud of uncertainty hanging over the company has taken its toll in the top management ranks. The most recent development is that executive director (marketing) R.K. Caprihans has put in his papers. It's not entirely clear where Caprihans, a marketing veteran of long standing – he used to be with white goods maker Kelvinator – is headed next. Some say that he's entering the brave new world of e-commerce with his own venture.

About two years ago LML had lost marketing whiz Ravi Kant, who left to join Philips and is now with Telco's truck division. Kant was seen as the man responsible for boosting LML's position whereby it began to give market leader Bajaj a run for its money. And now comes Caprihan's departure.

PR clinch

Not long ago we reported that companies were frantically searching for people to head their corporate communications departments (see *Business India* October 18–31, 1999). Apparently, one long search has ended. Monsanto has finally settled upon Ranjana Smetaceck as their new head of corporate communications. Smetaceck moves to Mumbai from Delhi, where she was working with Ranbaxy Laboratories for a while. She's no stranger to Mumbai, having spent a part of her career in Mumbai's adworld earlier.

The company that's still on the lookout is Enron, which has retained at least a couple of search firms who are on the job in real earnest. Meanwhile, we also hear that a similar job at the Tata group may be available as Ajay Kumar is reportedly heading back into journalism — he used to be at *Business Standard* before his Tata assignment.

Media CEO

The latest buzz in Chennai is that folks in the media world – journalism, TV, and advertising – are being sounded out for a "challenging assignment". The job in question: to head up the loss-making Vijay TV. It may be recalled that this channel, promoted by Vijay Mallya, was sold to the Mumbai-based UTV group last year. Though Mallya continues to hold a 7.5 per cent stake in its equity, management control is with UTV, whose boss Ronnie Screwvala is said to be keen to revive the channel.

It's a tough assignment by any measure. Not only is Vijay TV losing bushels of money – accumulated losses were in double digits (in crores) at last count – but it is up against an almost unassailable market leader, Kalanidhi Maran's Sun TV. Then there's also the nagging issue of certain financial settlements between Mallya and UTV which are still pending. So it will take quite a braveheart, not to mention a hefty pay packet, to take up this job.

Endpiece

P.V. Maiya, managing director of Central Depository Services Ltd (CDSL), the depository arm of the Bombay Stock Exchange, put in his papers two months ago. Since then rumours have been circulating about who the new boss will be. Apparently D.K. Dhagat, chief general manager of the State Bank of India, is believed to have bagged the post. CDSL has 40 depository participants and 117 companies signed up with it.

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Mumbai Tel 4918499 Delhi Tel 6480224

Hyderabad Tel 7804514 Pune Tel 634327

Coimbatore Tel 433514 Chandigarh Tel 611700

Bangalore Tel 5597899 Ahmedabad Tel 6421396

LEADING FMCG COMPANY

Our client is a well established and highly successful company, manufacturing and marketing a range of consumer products. **The brands are household names Nationwide**. The company has strategic alliance with high profile **American** and **European** companies, which are leaders in their product categories. The current turnover of Rs.200 crores is expected to increase substantially in the next two years.

VP - SALES & MARKETING

South India - Premier City **Around Rs.20 Lacs per annum (CTC)**

The incumbent will formulate & implement innovative & aggressive strategies to further strengthen leadership status in the country. He will build, lead & motivate a highly result oriented sales force and nurture & develop distribution network to effectively penetrate the market covering both rural and urban segments. Key result areas will include achieving accelerated growth in volumes, team building, installing contemporary systems & procedures, achieving cost efficiency and enhancing profits. **The incumbent, depending on his performance, competence and calibre can aspire for higher position within two years.**

Candidates should be Postgraduates in management from premier institutes with a spectacular record in selling FMCG products across the country. They should have handled low cost, high volume and widely distributed products. Familiarity with urban and rural markets across the country is a must. Accent is on excellent communication and interpersonal skills, strong achievement orientation and proven track record. He should be fluent in two or more Indian languages. Age : Around 40 years.

The compensation package includes an attractive fixed salary, perquisites, benefits and incentives. The organisation is highly performance driven and hence the incumbent can aspire to enhance earnings at a fast pace.

Please apply within ten days to **K Shankar Raman, Director** with a detailed bio-data marking envelope and application with job title, mentioning daytime and residential telephone numbers.

ABC CONSULTANTS PRIVATE LIMITED

Consumer & Services Practice

Ashika Chambers, 22 Chamiers Road, Chennai 600 018.

Tel : 433 4146 / 432 1913 ; Fax : 433 7862.

E-Mail : abc.chennai@vsnl.com

Calcutta Tel 2408675 Chennai Tel 4323574

SENIOR MANAGEMENT POSITIONS

Major city in Gujarat

A prestigious, large, leading and profitable public limited company in the chemicals, petrochemicals and fertiliser industry with a turnover exceeding Rs. 2,000 crores wishes to fill some senior management positions in different functions.

EXECUTIVE DIRECTOR - MARKETING (MS/7225)

The incumbent will have the overall responsibility for managing the marketing function and report to the Managing Director. He will be responsible for achieving the sales target, formulating marketing strategies and plans, supervising marketing research and pricing, and operating in a highly competitive environment. He should be able to provide effective leadership to a well qualified marketing and distribution team, be thoroughly well versed with import/export formalities and preferably be exposed to trading.

Applicants should be MBA/Post Graduate in Marketing preferably with a degree in Chemical/Mechanical Engineering, around 50 years in age with sufficient relevant experience in respect of industrial products either as Head of Marketing and/or as Head of a division/function in Marketing in a reputable organisation.

GENERAL MANAGER - OPERATIONS (MS/7226)

The incumbent will assume the overall charge for the operations of the fertilisers or petrochemical plants, reporting to the Managing Director. His responsibilities would include supervision of production planning, modernisation efforts, compliance with all laws and statutory requirements, etc. Candidates must have the necessary leadership ability and exposure to on-line computerised systems.

Applicants should be first class B.E. (Chemical) and/or Post Graduates in Chemical Engineering in the age range of 45-50 years, with about 15-20 years experience in operation of a large fertiliser/petrochemical complex having integrated process plants network. Of this, 12 years should be in a senior management position, including 5-7 years as Head of Operations.

GENERAL MANAGER - MATERIALS MANAGEMENT (MS/7227)

The incumbent will have an overall responsibility for the materials management function and will report to the Managing Director or Executive Director - Finance. His responsibilities would include materials planning, inventory control, procurement of raw materials, spare parts, equipments for projects from domestic and external sources, negotiations with suppliers, etc. The incumbent must have very good techno-commercial acumen, negotiating skills and technical knowledge with an ability to effectively lead and manage a team of professionals.

Applicants should be engineering graduates preferably with an MBA in the age range of 45-50 years with about 15-20 years experience in the function, of which about 12 years should be in a senior management position.

GENERAL MANAGER - FINANCE (MS/7228)

The incumbent will have an overall responsibility for certain aspects of the finance function and will report to the Managing Director and the Executive Director - Finance. His responsibilities will include corporate financial management, budgeting and cost control, funds management, negotiation with banks and financial institutions, operation of Fertiliser Retention Policy, supervision of finance, accounts, taxation and legal functions and providing the necessary professional leadership in his function.

Applicants should be Chartered Accountants/Cost Accountants and/or MBA (Finance) from a reputed university in the age range of about 45-50 years, with about 20 years relevant experience of which 12-15 years should be at a senior level in a large professionally managed organisation.

The remuneration package for the above positions includes salary, the usual allowances, partly furnished accommodation, LTA by air, loans, retirement benefits, etc. and would be in the range of Rs. 6-7 lakhs per annum for the GMs and Rs. 6.5-7.5 lakhs per annum for the EDs. The packages are likely to be revised in a few months.

Please apply in strict confidence within ten days to **A. F. Ferguson Associates, P. O. Box 1786, Mumbai 400 001** giving details of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked with the relevant MS number.

ZEE attained Media Leadership in just 24 months.

Today, Zee is India's most powerful media brand. The success of which can only be attributed to Vision and pursuit of perfection. A Vision that has once again looked beyond the ordinary. And perfection in terms of the objectives and the manner of getting there.

With this truism in mind, ZEE Interactive Learning Systems has been created with a new mission. A mission that will create India's most comprehensive Learning Network. A business that will combine the influence and accessibility of Internet, Television, Multimedia and Print Media. A business that will impart niche tutorship to a wide spectrum of society. A business of the future.

To take this vision to its logical realisation, we need a Power Team. A Power Team that is rich in experience and wealthy in wisdom. A team that considers innovation and entrepreneurship sacrosanct. A team that shall translate our dreams into a global business and strive to achieve a turnover of Rs. 500 crore in the next five years.

Vice President - Marketing.

At the helm of our media endeavour, we'll count on you to enhance our competitive advantage and brand perception. To carve a niche of excellence in delivery execution. Yours shall be the force that guides a timely and efficient product/ programme profile.

The entire gamut of marketing each medium - Television, Internet and Print - shall be under your charge. To bear the onus of this technology oriented media with aplomb, you'll need to possess relevant and adequate credentials. Path-breaking success in the marketing and selling of your chosen media, for instance. You should be an MBA with experience of 10 to 15 years in brand building, marketing and sales, preferably in an FMCG, Media or IT environment.

Vice President - Products

Through your perception of customer requirements, we'll need you to design distinct elements of our products

Here is an Invitation to repeat History.

and courses. Products that enrich personal competence, and customized solutions where benefits transcend in the area of Technology, Design, Management and Consumer Education.

You will be responsible for creating path breaking products through the learning network that will revolutionise the learning process. With an experience of 10-15 years, preferably in a University, Training or IT Company, you would help us design courses that make a difference.

General Manager - Applied Technologies

As the technological pinion of our managerial team, you'll influence your enterprise to gain the cutting edge. You will be the guiding force, as you will be bringing about a paradigm shift in knowledge delivery and learning systems. You are expected to be well versed with learning methodologies and technologies and have 10-12 years of experience preferably in a Training, consulting or an IT Company with good exposure to Industry needs.

Brand Manager (6 Positions)

You will be responsible for specific brands in media or learning centres for achieving revenue and profitability targets. The entire spectrum of activities involving strategic planning, marketing and direction setting for achieving brand penetration as well as market acceptability shall be under your charge. The position involves liaisoning with internal and external customers, developing media plans, working with cross-functional teams and executing projects on deadlines.

You are expected to have 4-7 years experience in media, FMCG or service industry with an MBA in marketing, excellent communication skills, and a proven track record in marketing and product management responsibilities.

Manager - HR

We shall rely on your experience and interpersonal skills to strategise and implement HR policies and quality systems, with an emphasis on performance management, people development, training and recruitment. You are expected to have 5-8 years of experience in IT or Service Industry with a Post Graduate qualification in HR.

To translate this vision into a sublime reality, we're looking for professionals with a mission. Professionals, who look at the larger picture and are willing to take on challenges. And in the bargain create history in the Learning sphere.

Remuneration and employee asset building schemes have been designed to do justice to the finest minds. If the idea of rewriting the rules of the Learning Industry strikes a chord, write to us or mail us your resume at the earliest.

ZEE INTERACTIVE LEARNING SYSTEMS LIMITED

(A 100% Subsidiary of ZEE Telefilms Ltd.)

4th Floor, Anjani Complex,
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Andheri (East), Mumbai 400 099.
Tel.: (022) 835 2363 / 836 9887-8
Fax: (022) 836 9886
e-mail: interactive@zedgateway.com

If you have earned a top position in Finance, it's time to harvest a career in Farming.

Today, Wind Farming is popularly recognised as the strategic solution for balance sheets burdened with heavy tax liabilities and companies needing captive power support. We are looking for having top Finance Professionals on our management team who possess resource mobilization capabilities to generate 100 - 200 crores on a regular basis.

Suzlon Energy Limited, part of the Rs. 200 crore rapidly growing Suzlon group, is India's leading Wind Energy company. Suzlon is an ISO 9002 certified company backed by technical collaboration with Sudwind, Germany, winner of Innovation Prize of the Land Berlin. Suzlon has achieved formidable expertise in mobilising record power generation in Indian conditions. It has won orders from clients like IPCL, Bajaj, Dhariwal Group, Ghodawat Group, Ajanta Group, etc. and is entrusted with the largest number of Wind Farm Installations in the country having further ambitious expansion targets.

Vice President - Resource Mobilization

(Mumbai)

The Wind Farming Business requires continuous fund raising and facilitating finances for clients for high tech and high value products Your resource mobilization capabilities to generate Rs 100 200 crores on a regular basis will be of critical significance You will maintain high level relationships with financial institutions and the corporate world at very senior level As head of finance you will report to the Director and lead a team of GM/AGMs Senior Managers etc

CA/MBA Finance with 15 20 years experience in the age group 40 45 years You are currently heading a medium size project finance company or at a top level in a large size financial institution/consultants Past experience in Project Finance and structuring innovative financial packages is must Top it with a high degree of commercial acumen strong presentation negotiation and interaction skills and you may be just the VP Resource Mobilization we need

GM/AGMs - Resource Mobilization

(Ahmedabad Mumbai Delhi)

You will provide critical independent support to the VP for the Customer Finance function possessing capabilities to generate high volumes Must be able to maintain high level liasion with financial institutions and the corporate world Will be involved with policies procedures and documentation related to Non Conventional Energy projects

Ideally you are CA/MBA Finance with 10 15 years experience in the age group 30-40 years You currently hold a top position in financial institution/consultants Specific experience in Project Finance and structuring financial options is necessary

We offer an excellent remuneration package If you wish to associate yourself with the challenge of the above positions, please send your resume within 10-15 days to, The GM HRD, superscribing the envelope with the position applied for

SUZLON ENERGY LIMITED

POSITIONS IN POWER

A SUZLON GROUP COMPANY

SUZLON

In technical collaboration with SUDWIND Energiesysteme GmbH, Germany

1st Floor Sahjanand B/h Bhagwati Chambers Swastik Cross Road C G Road Ahmedabad 380 009
E-mail shantaram@gnahd suzlon global net in



A leader in its field, GEA Energy System (India) Ltd manufactures energy saving systems for Thermal, Nuclear Power Plants and Desalination Plants. GEA India's ability to serve global markets with a range of energy saving systems is assured through the operation of an ISO 9001 certified plant with CAD/CAM and R&D facilities in Chennai. Our technological expertise has been acknowledged worldwide with over 100 installations and a presence in over 15 countries.

With a view to capitalising on the new opportunities in the Global and Indian market, we wish to recruit the following personnel.

Senior Manager/Manager - Exports (Code SMME) Location : Chennai

Candidates 30-35 years, must possess a degree in Mech/Elec/Chem Engineering from a reputed institute with 8 to 12 years experience in Industrial Marketing from leading engineering companies. The main responsibilities of the candidate will be to continuously seek major new business opportunities and improve existing contacts in GEA's key export markets in USA, Europe, South America, Middle-East, CIS and the Far-East. The job involves extensive travelling and interaction with EPC's, Utilities and International consulting organisations which requires sound commercial knowledge and top-notch technical skills. Candidates with knowledge of export management procedures will have an added advantage.

Regional Sales Manager (Code RSM) Location : Chennai, Mumbai, Calcutta

Candidates 30-35 years, must possess a degree in Mech/Elec/Chem Engineering from a reputed institute with 8 to 12 years experience in Industrial Marketing. Familiarity with all aspects of tendering in the Power and Process Industries and extensive knowledge of regional markets are essential.

Opportunities also exist in middle management for young Engineering graduates with MBA's from premier institutes.

Manager/Senior Engineer - Design (Code MSED) Location : Chennai

Candidates 25-35 years, must possess a degree in Mech. Engineering with 5-12 years of experience in Thermal/ Detailed Engineering of Pressure Vessels/Boiler/Rotating Equipments. Should be familiar with International Design Codes DIN, ASME, JIS and BS. Knowledge of CAD is essential.

The company offers a highly competitive remuneration package, exciting career prospects and a professional working environment.

Courier your CV within 10 days superscribing the position applied for on the envelope to :

Sr. Manager - Personnel
GEA Energy System (India) Ltd.
304-305, Anna Salai, Teynampet, Chennai 600 018.
Fax: 4342518. E-Mail:geaed@md4.vsnl.net.in

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esn't get bigger than this. We are Shaw Wallace. 1050 crore mega conglomerate with a team of professionals. And hugely successful ventures in all our ses. Our core businesses - liquor and beer have registered endous growth of 22% and 26% respectively. Today our brands - Antiquity, Royal Challenge, Director's Special d Tavern hold positions of pre-eminence. While Haywards as emerged as the largest selling strong beer with sales exceeding 10 million cases. And Director's Special is ranked among the world's top 100 brands with the 2nd largest growth rate, world-wide. We also enjoy the distinction of being the country's top exporter of alcoholic beverages for the last 7 years. The Shaw Wallace Group has earmarked several ambitious expansion plans. To realise these projects, we seek high quality achievers. Leaders with big potential and an even bigger vision are invited to join us as we storm into the new millennium.

UP COMPANY SECRETARY
te: GCS)

key to the secretarial division you d be reporting to the Executive tor and your role primarily mpasses good corporate governance e group. You will ensure compliance all matters related to the Company nd co-ordinate with the Board of tors You would be responsible for ucting board meetings, liaising with the rnment for inter-corporate loans investments, secretarial audit, transfer, interacting with shareholders supervising the departmental ties.

are an ACS with 20-22 years' rience in large conglomerates and g a similar position for at least 5-6 A degree in law is preferable.

D - LEGAL (Code: LH)

will be a strategist, leading a team of experts and reporting to the Executive ctor. You will ensure necessary ions to all legal exposures of the , analyse implications and formulate strategies. You would represent the in matters of lawsuits and monitor al aspects of different functions.

have a degree in law with over ears of experience and heading gal departments of large organisations at least 5-6 years. Exposure andling matters before quasi- ial bodies like CLB, BIFR and matters under Customs, etc. is a sary prerequisite.

ALL INDIA SALES HEAD-LIQUOR (Code: AISH-L)

You must be a leader with a vision. You would be reporting to the divisional head and will be responsible for achieving sales volumes and profitability through multiple channels for the entire business unit. Your primary role encompasses making sales strategies, making budget and business plans, assessing value chains, formulating future plans and analysing financial performances. You will lead a team of go-getters and ensure high growth and market leadership.

You are an MBA from a premier institute with 20 years' experience in sales and marketing, heading the sales function for a large multi-product FMCG for 5-6 years.

GENERAL MANAGER - LIQUOR MARKETING
(Code: GM-LM)

As the key to promoting the company's brands your role will involve devising marketing strategies to position our brands in the market and develop strong brand equity. You will report to the all India Head of marketing and interact with the manufacturing, R&D and the sales team. You would be responsible for advertising strategies, market research, product publicity, sales promotions, monitoring market trends and ensure adherence to packaging and quality specifications

You are an MBA from a premier institute with 12-15 years of experience, looking after product development and heading marketing operations of a large multi-product FMCG for 5-6 years.

HEAD - BEER MANUFACTURING
(Code: H-BM)

As the head of manufacturing, you will lead a large multi-locational manufacturing network. You will report to the profit centre head and your primary responsibilities will include timely delivery of our products, thus enabling this division to achieve its objectives of capacity utilisation, quality, safety and profitability. You will play an active role in devising manufacturing strategies for technology absorption and quality improvement, originating investment decisions, planning resource allocations and generating MIS reports. Co-ordinating with the sales and marketing team, quality control division, purchase team and unit heads to ensure smooth operations will be an integral part of your responsibilities. Your duties will also include interacting with the top management on strategic issues, maintaining public relations and liaising with statutory and other associate bodies.

You are a Chemical Engineer, having Post Graduate qualifications in Production Management You will have up to 20 years' experience in the process industry, with at least 5 years' experience in a similar position with a large manufacturing organisation.

Remuneration will be on par with the best in the industry And would not be a constraint for the right candidate Rush your resume, superscribing the envelope with the respective code as specified against the position, within the next 15 days, to HRD Division, Shaw Wallace & Company Limited Ground Floor, Magnet House, N M Marg, Ballard Estate,Mumbai 38 Or E-mail at Sghrd@bom7 vsnl net in

Shaw Wallace

SHAW WALLACE & COMPANY LIMITED

DCR

Duff & Phelps Credit Rating India

Duff & Phelps India is a joint venture with Duff & Phelps Credit Rating, USA providing high quality rating services in the increasingly matured and growing Indian and international debt markets. Duff & Phelps Credit Rating Co., USA, with 30 offices in 23 countries, is one of the top international agencies.

With significant growth in its Indian operations, the company is looking for individuals who will make a major contribution to the agency's professional stature.

Duff & Phelps India now has offices in **Calcutta, Mumbai, New Delhi and Chennai** and provides ideal opportunities for professional advancement and career growth.

In order to build a team of core professionals, unique in the rating industry, we are looking at confident and dynamic individuals who will be given the opportunity to equip themselves to contribute and implement our ambitious and committed plans.

Duff & Phelps India is looking for :

Asst Vice Presidents

Senior Analysts

Senior Research Analysts

Candidates should be management graduates with basic qualifications in Engineering, Economics or Accountancy. Three to five years working experience, preferably in credit rating or credit appraisal, is a prerequisite. The job calls for extensive interaction with clients at a senior level.

Duff & Phelps India offers an excellent work environment in a flat structure, where individual performance and initiative will be demanded and rewarded. There will be opportunities for training at the group's foreign locations.

All applications will be treated in strictest confidence, and will be handled personally by the chief executive. Interested candidates should send full particulars within 15 days in a sealed cover marked "Personal" indicating the post applied for, addressed to :

N C Roy
President and Managing Director,
Duff & Phelps Credit Rating India Private Ltd.
214, North Block, Ideal Plaza,
11/1 Sarat Bose Road, Calcutta 700 020.

When you are happy at work, it shows.

Bharath merely mirrors the way we work at Polaris, by making life simpler and happier We have over 1000 people like him all over the world. And we are looking for more

Polaris has witnessed unprecedented growth since inception Today, we are an ISO 9001 certified company and cater to a select set of blue chip clients

We provide IT solutions for **banking, finance, retail, insurance and ERP,** in over 20 countries Wherever we are, you'll find the same emphasis on quality, commitment and team-work All this without losing out on fun at work

We believe in participatory management and every team is recognized for its contribution. Each of our associates* is given



N Bharath Assistant Vice President - Projects, Polaris, Chennai. Joined on May 1, 1996 as Systems Manager.

the opportunity and encouragement to grow. Our cutting edge lies in the high energy levels, ambition and creativity of our associates. Not to mention, our holistic approach to providing world class software solutions.

Take for example, our most recent and crucial project for a multinational bank's high profile division. The project involved state-of-the-art web based multilingual, multi-currency technology solutions. All constructed in a component based multi-tier, flexible architecture and made possible by the dedicated perseverance of associates like Bharath.

The roles of our senior project management like Senior Project Managers, Project Managers, Business Development Managers and Team Leaders came to the fore during this mission critical operation, which was spread over Asia Pacific, Europe and North & South America The joint effort ensured that the project was delivered in just eight months and has enabled access across heterogeneous operating systems

In the offing are many such projects Wherein our associates would be constantly challenged to create better, faster and increasingly user friendly software breakthroughs. With this whirlwind pace also comes the chance to travel to our many international locations.

So if you, like Bharath and others at Polaris, believe that happiness is a job well done and have worked on similar projects, we have the following positions that would interest you Requiring you to manage large projects across geographies, architect new applications and, design, develop, test and maintain mission critical applications, in these capacities

Senior Project Manager (SPM),
Project Manager (PM),
Business Development Managers (BDM) &
Team Leaders (TL).

All communication must be superscribed with the code (given in brackets) of the post applied for

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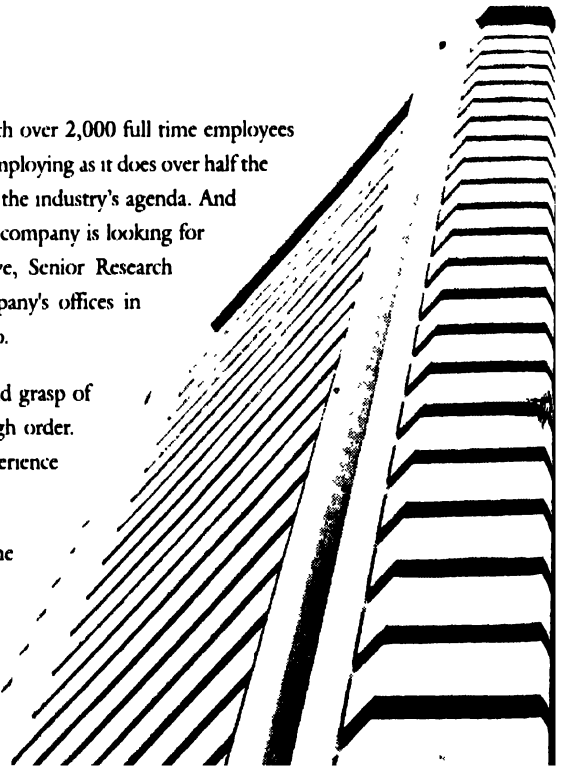
Do write to us at
Polaris Software Lab Limited,
Polaris House, 713, Anna Salai,
Chennai 600 006 Tel: 044 852 4154,
fax: 044 852 3280,
e-mail: resume@polaris.co.in

*At Polaris, we don't have employees, only associates

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Exceptional opportunities for market researchers to move up professionally



ORG-MARG is by far the largest market research company in South Asia, with over 2,000 full time employees spread across 119 cities and towns in India, Bangladesh, Nepal and Sri Lanka. Employing as it does over half the total number of market research professionals in the region, ORG-MARG sets the industry's agenda. And having grown at an annual compounded rate of 32% in the last five years, the company is looking for qualitative and quantitative researchers at various levels - Research Executive, Senior Research Executive, Associate Research Director and Research Director - in the company's offices in Mumbai, Delhi, Bangalore, Kolkatta, Chennai, Kathmandu, Dhaka and Colombo.

All positions require a strong academic background (preferably MBA), a sound grasp of research techniques as well as communication and interpersonal skills of a high order. Depending on the position, we would expect applicants to have relevant work experience of between one year and seven years.

ORG-MARG's client list comprises many of the most successful companies in the region, and we want researchers who can translate consumer insight and market understanding into business solutions for these companies. In other words we are looking for research professionals who can get behind the data and beyond it.

These positions are meant for professionals who enjoy variety and want a career with no boundaries and are not meant for those who enjoy doing conventional things in a conventional manner. Those selected will work in a stimulating environment which offers great professional challenge, attractive financial rewards and opportunities for international exposure and travel.

Please send a detailed resume (*in the strictest confidence, of course*) within fifteen days to the Manager (HRD), ORG-MARG Research Ltd., 30th Floor, Centre One, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. Tel : 218 6922. Fax : 218 3718. E-mail: omrhq@vsnl.com

ORG-MARG

You like your job. The money isn't too bad. You're doing fine.

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The essence of success is timing. And that's Rule No. 1 for career moves. But even more relevant for today is Rule No. 2 : The best time to aim higher is when things are looking up.

Now, with global giants rewriting all the rulebooks - from structures to strategies - a galaxy of opportunities has emerged in the new business paradigm. With efficient, focussed and dynamic organisations. Opportunities that are available for the best professionals to spot and seize. This is a great time to look for a strategic career move into the speed lane - if you're in that league.

So, if you're from a premier professional institute and working with a blue chip company, write in. We'll give you the edge.

We're a nine year old executive search firm, with impeccable credentials. We are professional, dynamic, efficient and very confidential. Our processes are systems driven - from our computerised databank to our Internet website. We place professionals in premier positions with multinational corporations spanning a wide range of industries - from Consulting and Technology world leaders to Consumer goods giants, from Telecom multinationals to consumer and financial Service leaders. And we're a first point source in their search for professionals - from middle to top management levels.

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EDGE

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Email : careers@edgeindia.com

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➢ ***BUSINESS DEVELOPMENT MANAGERS***

We are looking for MBA's with an excellent track record in Sales with knowledge of brand marketing especially in Skin care and Hair care category. The ideal candidate should be around 30 years of age.

Accommodation: Candidates with own accommodation will be preferred; alternately fully furnished company accommodation at Powai will be provided.

Compensation: Remuneration will be commensurate with experience to attract best talent. Candidates must attach a copy of their existing compensation structure with the application.

Please send your resume alongwith a passport photograph to:

Kapil Kaul – Sr Vice President Corporate Affairs
J L Morison (India) Limited,
Regd Off: "Rasoi Court" 20 Sir R.N. Mukherjee Rd, Calcutta - 700 001.

Fax No: 033 248 1200; E Mail: rasoicor@cal2.vsnl.net.in

Mahindra

Mahindra & Mahindra Limited, a professionally managed industrial house with a turnover of over Rs.4100 crores, has been the market leader in the tractor business for over 16 years. In our quest for playing an important role globally, we are looking for dynamic and ambitious individuals for the following positions in our **Farm Equipment Sector** at Mumbai:

Position A: Manager - Spare Parts

Experience: 12 - 15 years in sales of automobile spare parts in a reputed company.

Position B: Manager - Implements

Experience: 12 - 15 years in selling farm implements and agricultural equipments or other Agri Inputs.

Position C: Manager - Logistics

Experience: 12 - 15 years in outbound Logistics/Distribution, including demand planning, co-ordination between several plants, depots and transporters to meet delivery commitments in a dynamic environment using computer skills.

Qualification: Candidates for the above positions should be graduates, preferably in engineering.

Please apply with a detailed, updated bio-data, with a passport size photograph, within 10 days to:

The Head, HRD
Mahindra & Mahindra Ltd., Tractor Division, Akurli Road, Kandivli (E)
Mumbai 400101.Visit us at http://www.mahindraworld.com

OPPORTUNITIES IN

ENGINEERS(AUTOMOTIVE)

We are a large multinational organization with substantial investments in the Automotive and Ancillary manufacturing to cater to the International Markets. The Organization is one of the fastest growing multinationals in the South East Asia with over a billion dollars turnover and excellent growth opportunities.

AUTOMOTIVE DIVISION

The Automotive Division is engaged in the manufacture of Trucks and Buses with Technical know-how from International Auto Giants. It has plans to launch LCVs and Utility vehicles. We are looking for dynamic Design Engineering professionals with proven expertise in the Auto Components, Vehicles and Engines.

I MANAGER - VEHICLE DESIGN (Code : MVD)

B.E. / M.E. (MECH. / AUTO.) Should have good exposure to Concept layouts, Packaging and Chassis Design, should be able to lead engineering team and interface with other working groups. Around 10-15 yrs of experience in design of Heavy vehicles & LCVs knowledge of CAD and Prototype making / testing will be a distinct advantage. Preferred age group 35-45 yrs.

II MANAGER - AUTO COMPONENTS / VEHICLE TESTING (Code : MAV)

B.E. / M.E. (MECH. / AUTO.) Should be fully conversant with all performance and endurance testing standards, procedures and instrumentation. Around 10-12 yrs of experience in the Prototype Testing of Vehicles and Components, exposure in Heavy Vehicles will be preferred. Skills in effective teamwork and cross-functional co-ordination are expected. preferred age group 35-40 yrs.

III MANAGER CAD & ANALYSIS (Code : MCA)

B.E. / M.E. (MECH. / AUTO.) Fully conversant with 2D / 3D Drafting, Solid Modeling, Finite element analysis, Strain Gauging. Around 7-10 yrs of experience in the CAD facility of a reputed Automobile company. Should have knowledge of relevant softwares. Preferred age group 30-35 yrs.

IV ENGINEERS - ENGINE DESIGN & DEVELOPMENT (Code : EDD)

B.E. / M.E. (MECH. / AUTO.) Well conversant with direct / indirect injection Diesel Engines and Naturally Aspirated / Turbo / Turbo-inter Cooled diesel engines. Around 7-10 yrs of experience in design, development and testing of Diesel Engines with power range 50BHP to 300BHP. Preferred age group 30-35 yrs.

NOTE :Training and Development of local Engineers will be one of the prime responsibilities for all the above positions.

All the above positions are located in Indonesia and carry very attractive compensation with good saving potential.

Those applicants who are called for an interview will receive acknowledgement to their applications. Please apply within 15 days giving.

REFERENCE CODE ON ENVELOPE to :

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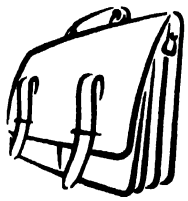
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SPEER 47399

Art for art's sake

Coming up on the 27th and 28th of this month is an auction of Indian art curated by Neville Tuli, president of the Tuli Foundation for Holistic Education and Art (HEART). This is the first curated auction in India for Indian miniatures, illustrated manuscripts, Tanjore glass paintings, folk and tribal art, metalware and textiles. It comprises pre-1947 modern Indian art assembled for the first time for a public auction. This is HEART's second auction. The first auction (held in November 1997) recorded sales over Rs2.80 crore. It established record prices for many artists, including Raja Ravi Varma whose *The Begum's Bath* fetched Rs32 lakh, the highest price ever for a modern Indian painting.

Tuli wants to build up a strong infrastructure for the Indian art market. Hence, of the funds generated from the current auction, Intuitive Logic — *The Next Step*, HEART will donate Rs50 lakh to establish a joint corpus with the National Culture Fund. The funds will be used to start the process of preservation of Indian cultural heritage monuments. "We will find various kinds of collaborations with organisations like the Archaeological Survey of India," says Tuli.

Obviously, he wants to put the Indian art market in order. And curating an auction is the first step. Says Tuli, "To curate anything means to give it a vision, you give it a different perspective, you give it a sense of discrimination, you include a part of the knowledge of the history of the subject, the aesthetics of the subject, you clarify what you have learnt. A normal auction is simply what is given from clients to put up for sales." He goes on to say that one has to be able to discriminate between various art work by clearly giving it a hierarchy, be it aesthetic or historical. In India, the concept of auctions being relatively new, there is a danger that one may accept any piece of work by any and put it on auction.

However, as auctions tend to set a price for an artist, it is important to set proper price bars. For this, the auction has to be taken in perspective to the art market that one is functioning in. For instance, in the Indian art market, at least 70 to 80 per cent of the transactions are in the cash black surplus market. So an auction tries to be clear in setting price bars. In other words, very clear benchmarks are set and these have to be maintained. "So a curated auction is pivotal; it doesn't

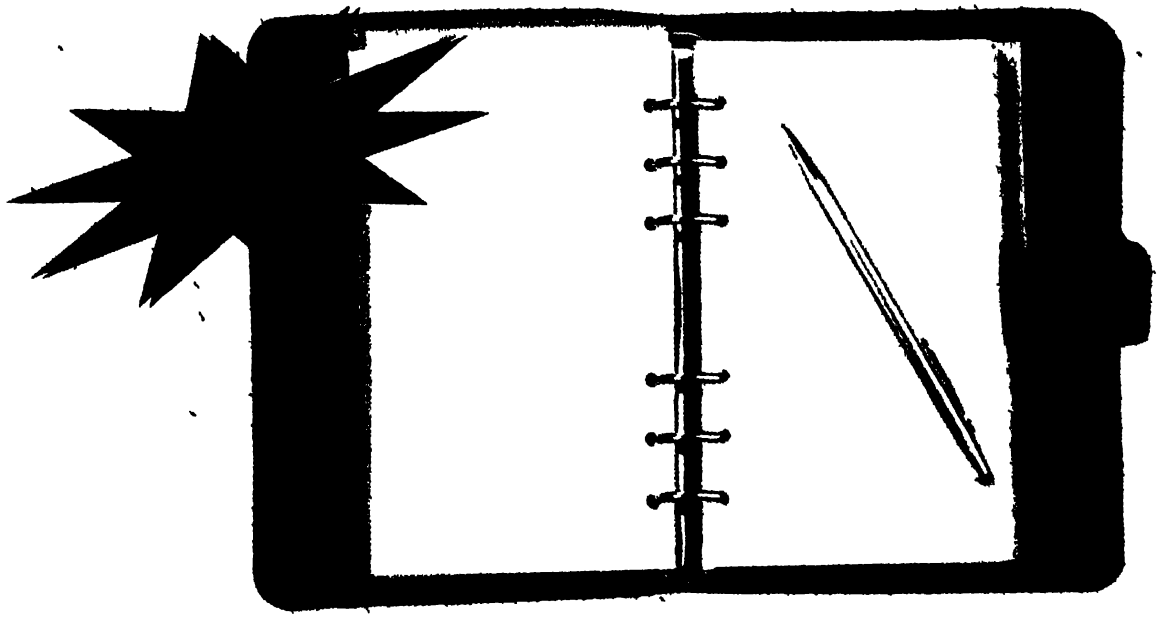




Badrinath Arya's Sanvri (left) *and* Gandhi *are among the works that will feature in the auction*

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solve all the problems that are there in the market but it definitely helps, especially at this early stage of development of the market," says Tuli.

What is interesting about this auction is that Tuli has managed to get hold of Indian miniatures. It is ironic that India has never bought its own miniatures in the art market. Indian miniatures have been bought essentially at art auctions in London and New York.

Improving the art market is an important part of Tuli's game plan. The real heart of the work is how to give the arts culture and its education a pivotal role in the developmental process of India. The whole issue is how creativity, as a value system, creates the structures and institutions that we are going to build. And it is the process that is far more important than the result. The aim is also to change the system — the taxation laws, the customs duty, the registration processes. While it is not going to be easy, Tuli is determined to do it. Everything is being done step by step. And Tuli plans to build the infrastructure with HEART, but on his own terms.

In fact, his recent seminar tried to bring together some of the finest minds from across the country to address some of the important issues — role of a charity, creativity and scholarship in creating an alternative space to mould the infrastructure process building Indian arts, the role of auctions and auction houses in establishing a transparent system, role of the corporate-government-media linkage in moulding infrastructre-building, necessity of a patronage system to build international quality museums and the major problems concerning preservation of Indian cultural heritage.

There is still more to come from Tuli and HEART. Plans are to establish India's first domestic auction house which should be in place by the middle of next year. Next in line is taking on the preservation of key monuments around the country. HEART also plans to build up an art archive. With such kind of effort being put in, people can take heart that all's not lost for Indian art.

• BHAKTI CHUGANEE

Golf is in the air

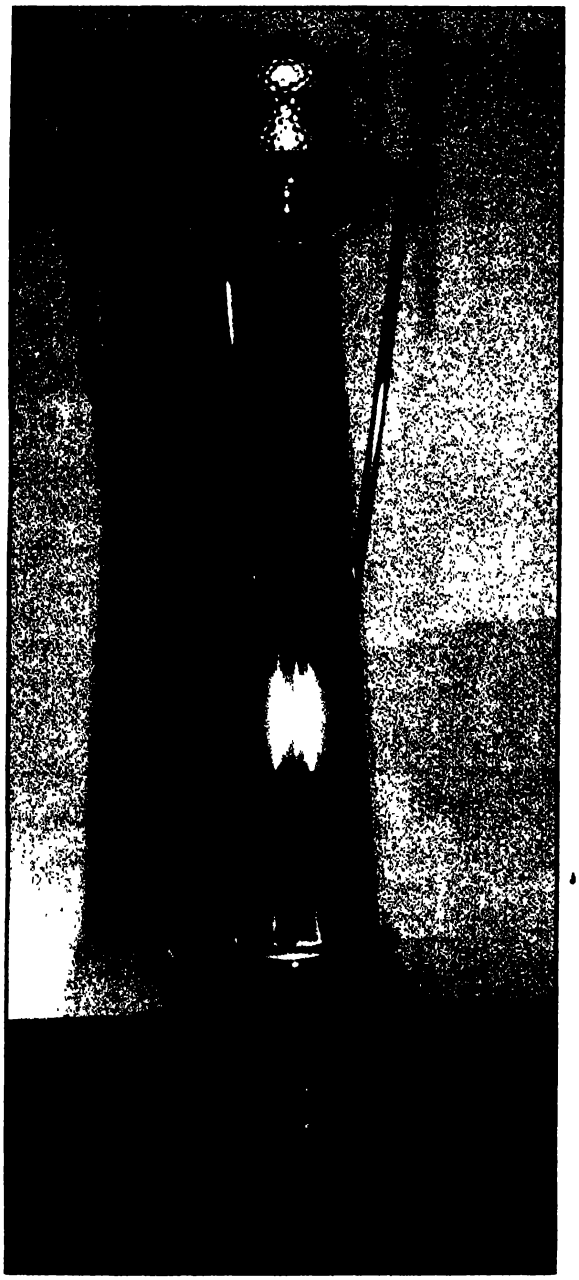


Corporate golf is the 'in' thing these days, Chiranjeev Milkha Singh's deeds on the pro tour having inspired a lot of corporate types to sharpen their own skills. After all, 18 holes on the golf course can see not just rivalry for eagles and birdies but a business dialogue at a leisurely pace as well. Perhaps that is the reason the lush greens of the Bombay Presidency Golf Club (BPGC) saw the inaugural Nike Indo-American Partnership Series tee-off last week. Playing for the Ambit Cup instituted by Ambit Corporate Finance, several chief executives traded 'swings' on the BPGC greens.

Carlton Periera, chairman, major events committee of the Indo-American Chamber of Commerce says of the unique event, "The tournament was a celebration of Indo-American business relations and more than 100 participants played and mingled with one another in the relaxed atmosphere of the course."

The idea behind the event was to break away from the usual business-to-business interactions between the two countries and to promote the spirit of cooperation through competition. The presence of Nike as the exclusive sponsor added that extra sheen to the event, as the Nike swoosh has assumed legendary status in the world of sport. Formed in 1968, the IACC has over 2,600 members.

Among the high-profile participants were Humayun Dhanrajgir of Kodak, M.P. Singh of Pratt & Whitney, Chase Capital's Anil Ahuja, Harsh Mariwala of Marico, Akshay Kilachand of Indcom, advocate Iqbal Chagla, former banking secretary Ravi Gupta, Ramesh Sobti of ABN Amro, Sukhu Nayyar of ING Bank, Dresdner Bank's Suraj Mehta, Jimmy Billimoria from Ciba and Parle's Vijay Chauhan. The event culminated with a bash at the US consulate lawns where Consul General David Good gave away the prizes.



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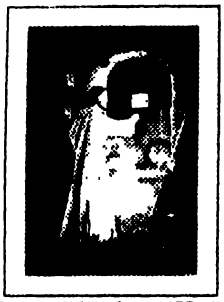
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I think, hence I am... successful

. IOUGHTS TO MANAGE BY

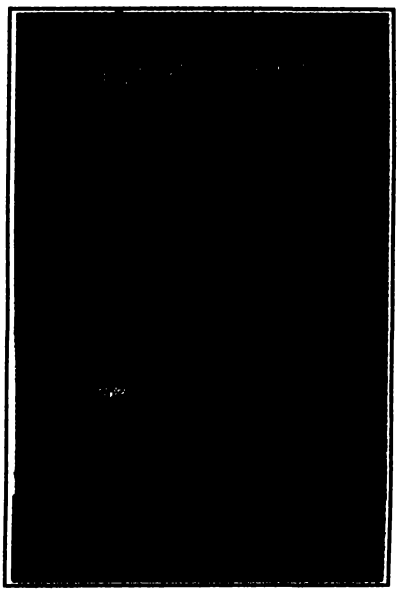
Mohandas Nair
ublished by Eshwar
rice Rs250

Management books are aplenty but do successful people draw their lessons from them? One often wonders whether there is any particular formula which could lead one to the top? Why is it that success eludes some managers despite their possessing the requisite qualifications while those not equipped academically become success sagas?

Mohandas Nair, in this book, has attempted to find answers to these very questions without resorting to sermons or theories. A word of caution, however. If you are on the lookout for ready-made answers or solutions then this is not the book for you. The author has adopted the introspective approach and takes his cue from the experiences of practitioners and thinkers of management. The book is a compilation of quotes from world-famous writers, philosophers, scientists, business magnates, *et al.*

The quotations number just 247 but they are profound and have relevance to all aspects of management, and that includes managing oneself. Nair has attempted to give another dimension to these 'thoughts'. At first glance, this book looks like a simple collection of thoughts, but after going through each of the quotes and the attached commentaries one finds that Nair must have painstakingly waded through a basketful of quotes before cherry-picking the select few for his book.

After each quote he has given his commentaries and has provided plank space for the reader to enter his thoughts and formulate an action plan. This book reminds the reader of his school days when the pupils were given workbooks to do their homework. Nair's message is clear. This book is not meant for passive reading nor is it merely a collection of quotable quotes. It's aimed at learning from the experiences of achievers in life.The author's approach is: you can take the horse to the water, but you cannot make it drink. All the knowledge in the world would not do any good to you until and unless you put this knowledge into action. And he provides



If you are on the lookout for ready-made answers or solutions then this is not the book for you. The author has adopted the introspective approach and takes his cue from the experiences of practitioners and thinkers of management

enough material to stimulate thinking and reinforce some of the time-tested thoughts.

The task of re-energising and re-invigorating the mind is an internal process and the reader is expected to take the initiative and put in efforts to recall his experiences and formulate an action plan for his future. The book is a signpost, and the illustration on the cover, that of a lighthouse, is apt.

Nair's approach is that of jolting the reader's mind out of its stupor. Take a commentary of his on a quote on ineffective leadership: "There is no limit to human endeavour. A human being can be called upon to perform 'times' above his normal capability..." This is particularly true when one finds that while one is drifting aimlessly and finding excuses for one's non-achievements or worse, sleeping through life, others are moving up the career ladder. Nair's message is loud and clear. You need to rearrange your priorities. Successful management is more of a skill than mere knowledge and it calls for the highest order of mental skills from the manager.

Nair's philosophy is crystallised in the quote of John Doerr which is placed under the heading 'Networking to Learn': "Never stop learning. Stay flexible and get to know as many people as you possibly can. The relationships that you build throughout your life will be your lifeline to the future."

Life is the manifestation of your thoughts and what happens in your life is the result of the thoughts that you are harbouring in your mind. On the other end of the spectrum, people believe that it is destiny that rules lives and certain events are beyond the control of man. There are no rational answers to why success comes to some and eludes others given the same set of circumstances and environment. But it is also a fact that the inner world (the mind) changes the outer world. If thoughts can be controlled destiny too can be altered. To quote Jack Welch from the book under review: "Don't manage, lead. Face reality as it is, not as it should be. ...Control your destiny, or someone else will."

One obvious question that lingers is: is the book worth the price? Ultimately, the issue boils down to shelling out Rs250 for 247 quotes. So for this price the book is worth a read. Nair's effort is not meant for incurable pessimists and pseudo-intellectuals who seek refuge in management jargon. But if an exercise in introspection is what you seek then you will not be disappointed with this book.

•ROHIT RAO

Life on the Mayyazhi



ON THE BANKS OF THE MAYYAZHI

By M. Mukundan
Translated from Malayalam by Gita Krishnankutty
Published by Manas [EastWest Books (Madras) Pvt Ltd] pp255, Rs185

Shortlisted for the Crossword award this year, M. Mukundan's *On The Banks of the Mayyazhi* takes us back to the times when the quaint little French colony of Mayyazhi (better known as Mahe) in Kerala was on the threshold of a transition. Mukundan invites the reader into a little colony ruled by the French and administered by the half-French *sayivs* – a colony of French elegance and grace, of fine horses and carriages, of celebrations and festivities, where wine flows through streets bearing quaint French names.

It is a place where the dream of every half-Frenchman and woman is to see the offspring marry a "pure French bride", where a part-French wine merchant dies a happy man after his son, Leslie *sayiv*, marries a French-woman worthy of the royal French blood that he imagines runs through his half-Indian veins, and where the locals – at least the older ones – aspire for the white man's lifestyle and feel happy for the white man's achievements.

From this picture-postcard-like colony, Mukundan shifts to a Mayyazhi whose young sons (the women of Mayyazhi seem to have no role in the freedom movement) want to free her from French rule. Mukundan captures the agony and angst of the young rebels effectively, juxtaposing it with the nostalgia that the older citizens of Mayyazhi, such as Kurambi Amma, feel for a way of life that's to be lost forever. In fact, a poignant prelude to this loss is introduced in the early chapters itself where of the two sons of Leslie *sayiv*, the finest gentleman in the colony, one gets lost and the other – Gaston – withdraws into his room, shutting the world out, to hide the guilt and shame of his impotence.

And the river Mayyazhi runs through the novel, sometimes reflecting the moods of her people, at other times predicting the disaster that awaits them. Like the endless history of humankind, it flows on, with disruptions and upheavals, to join the sea.

Mayyazhi is about history, after all. And it's about Time. Mukundan's approach to these two crucial factors is interesting. In the 37 chapters and 255 pages of the novel, only three dates are mentioned – 21 October 1948 (in chapter 23 when the nationalists make their first attempt at overthrowing their French rulers, giving Mayyazhi its first taste of freedom, even if it lasts just six days); 27 April 1954 (in chapter 32 when the exiled nationalists enter Mayyazhi in large numbers, making their way to freedom) and 14 July 1954 (in chapter 32 when the French Big sayiv finally gives up the fight, delivering those fateful words: *Mahe ...c'est a vous*. Mayyazhi is yours.) Interestingly, the novel begins with the fairytale 'Long, long ago, that is, before Dasan (the-protagonist) was born – a kind of rejection of colonial history?

"Until now, the people of Mayyazhi had led a leisurely life, a wine-drenched existence. But now conflict and turmoil had entered their lives"

Rewriting and reconstructing history from the point of view of the colonised has been an important agenda for many post-colonial writers. Mukundan, too, does his bit towards reconstructing Mayyazhi when he makes Dasan walk through the streets of free Mayyazhi and recall a past replete with local myths and legends – a re-familiarisation with one's own history and past.

Life on the Mayyazhi is haunted by the past. Kurambi Amma is tormented by dreams of her favourite Leslie *sayiv* with whom she shared a bond built over a shared box of snuff. Missie, Leslie's widow, is haunted by the loss of her elder son and the sad notes from Gaston's guitar. Dasan's family is constantly looking back at the hopes they had nurtured for the promising young man. A feeling of loss and of what might have been pervades throughout the book. And if the past stirs painful memories, the future seems to hold no hope either for the older residents of Mayyazhi who are shaken by the turn of events. They seem doomed to a life of waiting – for the ship that will take them to France. Kurambi Amma dies dreaming of the ship, while Secretaire Karunan prefers to fall dead on the French border of Mayyazhi rather than cross over and betray Big Sayiv.

However, the most powerful part of the story has to do with the way the young nationalists themselves come to terms with the freedom they had fought for. In a superb, almost tragi-comic, manner of representing how things have a way of coming a full circle, Kanaran, the leader of the nationalists, becomes the head of the government council and is shown occupying the bungalow vacated by Big Sayiv, sitting on the chair from which the white man once ruled Mayyazhi, and offering Dasan the very job the latter had once declined during the days of the sayiv. And Vasutty, Dasan's comrade, opts for French citizenship and sails for France to work for the very people he had once fought. And Mukundan leaves us with Dasan, who, the author says, has joined the souls hovering over Velliyan Kallu, a tear-drop-shaped rock off the Mayyazhi coast.

In fact, Velliyan Kallu, over which Mayyazhi's souls hover between lives, and a host of other local legends woven into the story of Mayyazhi make it a fascinating mixture of memory and myth, fact and fiction, the boundaries shifting and blurring ever so often. Mukundan draws heavily from local memory as well as local religious practices for his imagery.

However, even as he talks of the story of a colonised people, Mukundan himself falls prey to the colonising mentality of patriarchy when he fails to take his women characters seriously.

he only female characters that make n impression are Kunhichirutha, the ayiv's woman, Chandrika, whom asan loves and loses, and Dasan's grandmother Kurambi Amma, who uries a repertoire of Mayyazhi tales in er snuff box. The others are mainly elegated to the role of the nurturer-rovider, having little control over heir lives and their sexuality.

This and the occasional flaws in ranslation notwithstanding, Mukun-lan, a leading figure in modern Malay-lam literature, does a fine job of recounting the story of life on the Mayyazhi.

◆SANGEETA MENON

How to win



CO-ACTIVE COACHING

By Laura Whitworth, Henry Kimsey-House & Phil Sandahl
Jaico Books
Rs725.00



CEO LOGIC
By C. Ray Johnson
Jaico Books
Rs725.00

Two more books from the Jaico assembly line which fall in the 'how to' segment, a niche which the publishing house seems to be exploiting very successfully. This reviewer is not a great believer in roadmaps to strategy formulation. For strategy is not a tool, but an ethos, a business plan and even rational decision making which charts the future of a company. However, there are a lot of aspiring executives who are worried about their ability to think clearly and even comprehend fundamental management issues. For them, books like the ones under review are operating manuals which allow them to imbibe techniques used and adapted successfully by corporate leaders.

It is a genre which is immensely popular – take the wide array of books in the marketplace which have been penned by celebrity CEOs. *CEO Logic* takes a gander at self assessment tools and hits you between the eyes on business realities. Ray Johnson is a consultant to newly challenged CEOs and harps on strategic application of a business philosophy. Further, the book looks at operating disciplines and parameters on how to grow a business.

Meanwhile, *Co-active Coaching* examines the three core principles of coaching which are listed as the client's fulfilment, balances and process. The book also has guidelines which deal with the pitfalls in co-active coaching. For if the future is co-active coaching, this book is likely to lead you there.

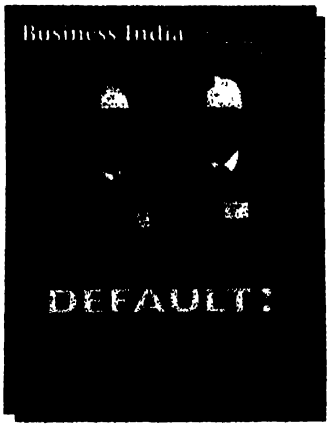
More importantly, coaching creates accountability; a measuring tool for action and a means to report on learning. Accountability is essential to forwarding the action and deepening the learning in co-active coaching because the coaching session is more than just conversation. Co-active coaching takes a different perspective, offering a model of coaching with specific techniques and a comprehensive way of organising the components of coaching and is based on real time experience. The foundation of a coaching relationship is unique, as it offers support and encouragement.

The object of the exercise remaining better goal setting, less stress and increased self awareness. Coaching is obviously all about motivation and with human resources increasingly the locomotive of a contemporary company's growth agenda, coaching or management mentors who unearth your desires and ambitions to unleash their power, taking the company forward as a cohesive whole, are in vogue.

These two books offer a tool kit which can be utilised by introverts who want to channellise the hidden power of the mind, so that they can attempt to take the escalator to the next level of competency.

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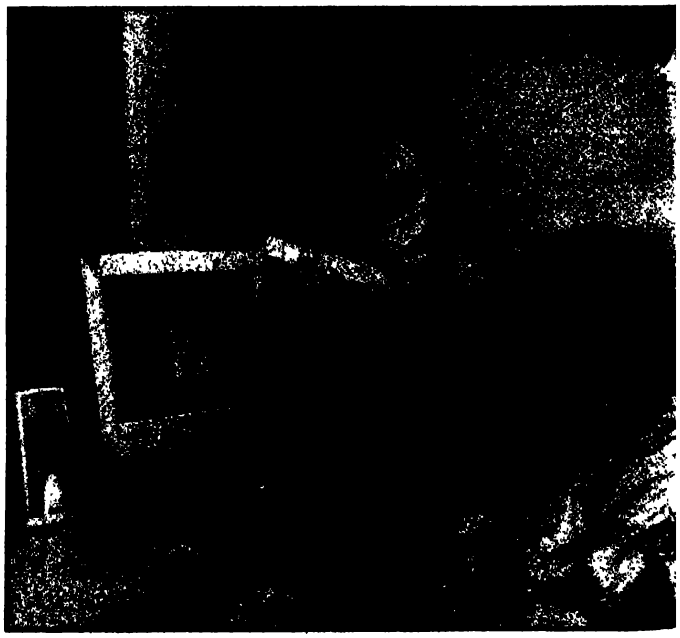
Milon Mukerjee is a man of many arts – author, actor and painter. It is in his present *avatar* of a painter that Mumbai will be seeing him. Beginning 16 November, Milon will be shifting studio Milonnium to the Taj Art Gallery for a week. And this, interestingly, is the same venue which hosted his first exhibition in Mumbai (Children without childhood) 29 years ago. As Milon says, "Not only will I be exhibiting 50 of my canvases, but more importantly, I will be working at the gallery." Which makes Studio Milonnium a rather novel concept. Milon's creative talent covers the literary sphere too. He has to his credit 24 short stories in Bengali literary magazines which have been translated into several languages. In fact the University of Kerala has included one of his short stories in their syllabus. •

Art mart on the Net

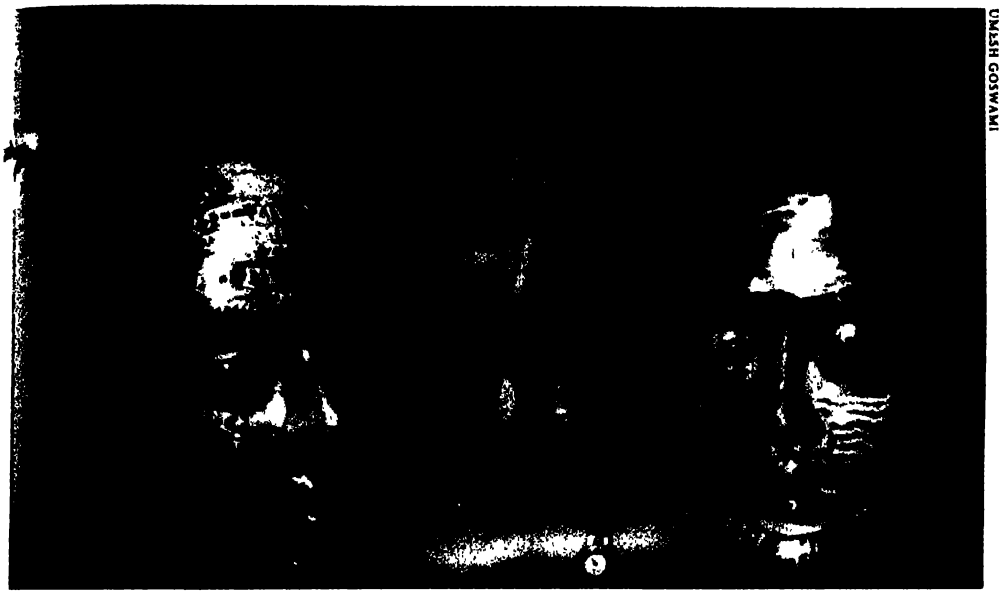
Something new in the art market – an art Website. Yes, now you can get information regarding artists on the Internet and it's not as inaccessible as it once seemed. Interior designer-turned-art gallery owner Sonali Engineer's brainchild is www.artsource.com, an art gallery on the Internet. "As an interior designer and gallery owner I got to know how artists were being exploited on the pricing front. So the idea was to cut off the middleman and bring together the buyer and artist on a more equal level. The Internet was a good medium," she says. "Besides, there is no Website dedicated to Indian art," adds Engineer. Friend Raju Kane was roped in to execute the feasibility of the project.

For starters, artsource is a plain art gallery which exhibits Indian classics till 1940, contemporary Indian art, as well as digital art, sculptures, prints, tribal art, and glass works. More names and services are to be added to the gallery.

Plans are to make it a community site for new artists as well. Artsource has already been online for a month and has been getting 45,000 hits a week. In fact, the site has already made its first

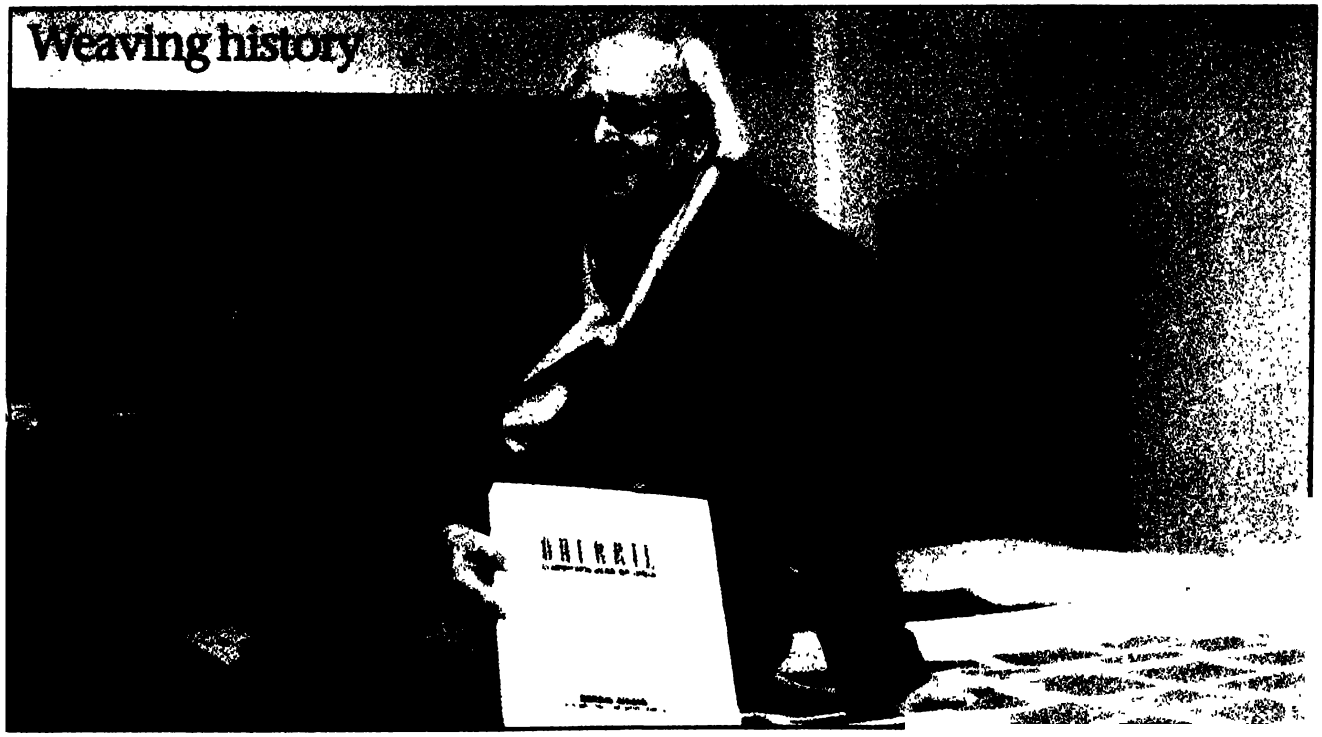


UMESH GOSWAMI



UMESH GOSWAMI

Gayatri Ruia's upcoming exhibition of sculptures in Murano art glass is her second attempt at a three-way collaboration between an artist, a renowned glass artist and herself. The first attempt was last year. There was some good feedback from the last exhibition; for one, the concept of a new medium was more than welcome. This year, the collaboration is between Anjolie Ela Menon, Antonio Da Ros and herself. This year the theme is again a religious one – a head series, lingums, Ganpatis, baby Krishnas and Infant Jesus. "I wanted something I could relate to instead of fishes. We have a rich heritage of religion and philosophy, so there was no need to go any further," says Gayatri Ruia. Ruia's creativity extends further than her Sacred Prism initiative. She is a dress designer and has her own label 'Gayatri Ruia' available at boutiques such as Ensemble, Melange and Ffolio. While the Sacred Prism is likely to become an annual event, the designer side of her will find fulfilment when her own boutique will soon be launched at the new address in town, the Phoenix Mills in central Mumbai. An identity is in the making for sure! •



Shyam Ahuja and dhurries have become synonymous to each other. Taking the association a step further, Ahuja has written a book *Dhurrie: Flatwoven Rugs of India*. It's a realisation of his 15-year-old dream. "We've been thinking of this book for a long time as there was no book on the dhurrie around," says Shyam Ahuja. Of course, a lot of research has gone into the work. Co-authored by daughter-in-law Meera Ahuja and freelance writer Mridula Maluste, the coffee-table book is the first comprehensive book on the flatwoven Indian dhurrie. It documents the rug's history and development and introduces the flatwoven dhurrie as a significant floor covering for the Indian subcontinent. *Dhurrie* will be launched globally. In fact, the book has already received a tremendous response at the Frankfurt Book Fair this year and has already been taken up for an international co-edition. Dhur-rie's the way to go! •

"We will stand by Sonia"

Stewarding an outsized 55-strong ministry comprising eight disparate factions that rule by a wafer-thin majority may not be an enviable task, but Maharashtra's 54-year-old chief minister **Vilasrao Deshmukh**, in an interview with **Sarosh Bana**, appears confident and committed enough to ensure that it runs its full term



Q *How would you gauge the previous BJP-Shiv Sena government's four-and-a-half year reign?*
A Quite honestly, there were very few positive features of their rule which was characterised by unprecedented profligacy. They claimed they accomplished during their term what the preceding Congress governments had not since Independence. But schemes cannot be frenziedly taken up one after the other without any thought to the basic needs of the people. Even their *zhunka bhakar* 'janata meals' scheme flopped. It was the Congress that had planned flyovers in and around Mumbai, but they set about erecting 55 of them whilst losing sight of other priorities like the road and bridge infrastructure in the villages. I have found the flyovers more of an obstruction whenever I have travelled over or past them. Even the question of toll is currently pending in court.

Q *Will these schemes be terminated if they are found going against the public interest?*
A We cannot axe projects arbitrarily. But we will review certain schemes such as that of the Maharashtra State Road Transport Corporation's which has undertaken the flyover network. In the Enron project's Phase II the question of tariff has become a matter of concern with the projections going far above the original. The government will be unable to provide any subsidy in order to soften this impact. Nevertheless, cancelling the scheme is an extreme measure.

Q *Do you suspect personal corruption too in such schemes and, if so, what steps will you take?*
A If we find evidence of corruption, then we will definitely investigate. We will also act on any legitimate complaints we receive in this regard.

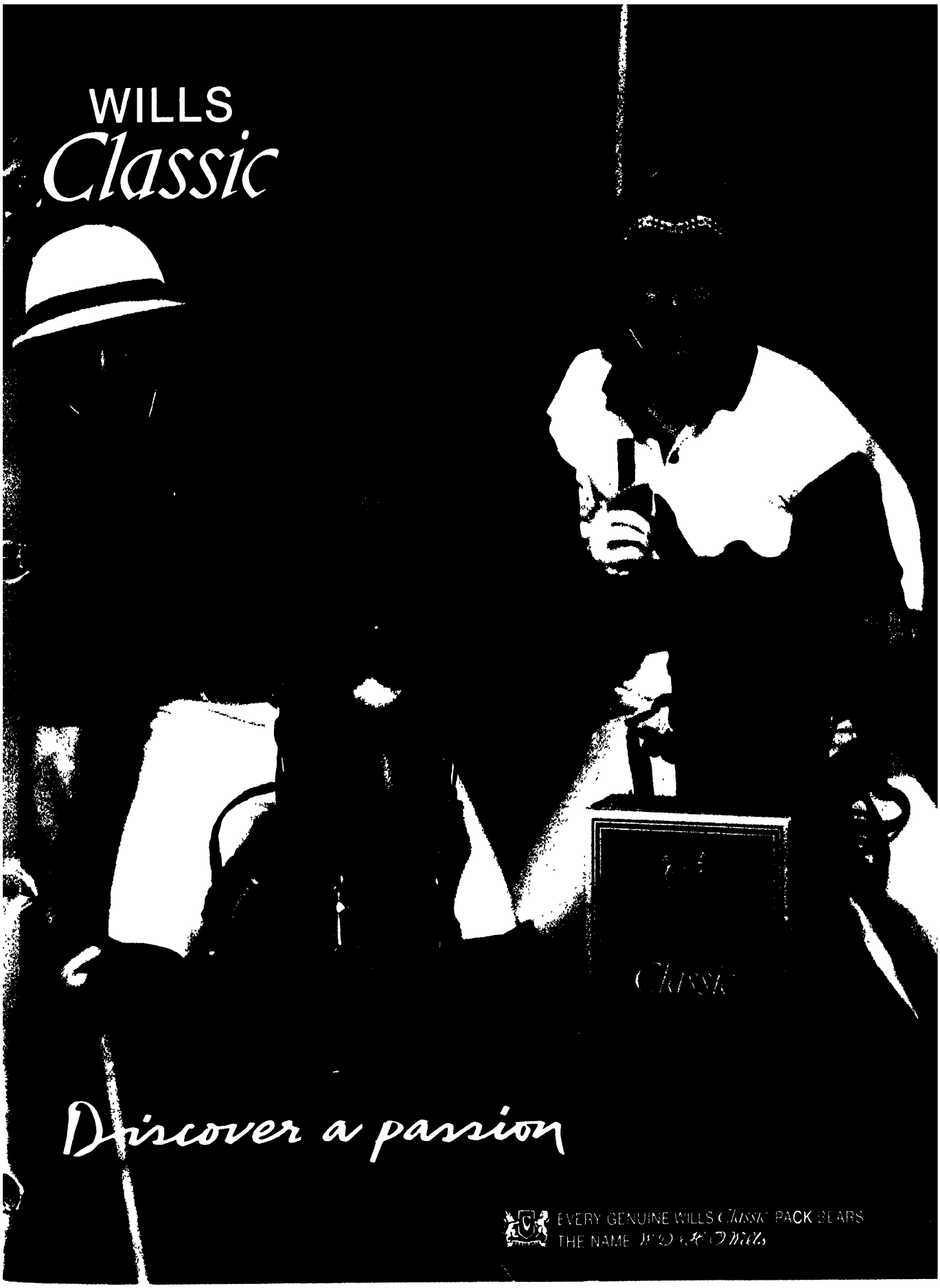
Q *To what extent has the previous government damaged the state economy?*
A We will be shortly submitting a white paper on this issue. The loans they raised were grossly disproportionate to the resources at hand and during their term, the state's borrowings spiralled from around Rs16,000 crore to Rs37,226 crore. It is only by pruning the Plan size that we were at all able to disburse the Diwali bonus to the state government employees.

Q *Your government-formation was tumultous. How long will you be able to hold your dispensation together?*
A I am confident we will survive our full five-year term. After all, we, that is, the Congress, the Nationalist Congress Party (NCP) and others, received a mandate of 69 per cent for a secular alternative to the incumbents and had no option but t sink our differences and coalesce. Those who describe this as a weak outcome must accustom themselves to the culture of coalition. Besides, the alternative would have been presidential rule and another assembly election. That apart, it took long to form our government because we were intent on resolving all our reservations prior to assuming power rather than after, for that would have affected our functioning.

Q *You have already rushed to Delhi four times to meet your party president Sonia Gandhi. Will she be your remote control?*
A I did consult with her, but the final decisions were mine. Gandhi herself is of the opinion that while the central leadership should be kept posted of important developments, the final say should be left to those involved at their level, of course, while keeping the party's overall interests in mind. It was also my decision to have a ministerial strength of 55, which does appear to be jumbo-sized at this stage and which we hope to scale down somewhat subsequently.

Q *How will you respond if the NCP votes with the Vajpayee regime for amending the Constitution to keep out foreigners from holding high government office, as it is aimed at Sonia Gandhi?*
A Our alliance with the NCP is at the state level and not at the Centre. But we will not compromise on this issue under any circumstances and will stand by our leader if it comes to that.

Q *Will your government act against Sena supremo Bal Thackeray who has been indicted in the Srikrishna Commission report for his role in the 1992-93 communal riots in Mumbai?*
A I have yet to read the report, but while we are committed to take action against the guilty, we will not act vindictively. We are also seeking legal opinion in the matter. Nonetheless, no one is above law. •



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Business India

Though said several times before, it bears repeating that lists make good reading. This issue features *Business India*'s 9th annual ranking of Indian companies.

A close study of these lists provides key insights into the working of Indian companies. Over the years, we have pointed out that there is no single indicator or "best" indicator for a company's long-term performance or value. Different businessmen and investors give varying degrees of importance to indicators like sales, assets or profits. There are some who even believe that today's market capitalisation is not always the best indicator of sustainable performance and long-term growth in value.

In recent months, we have seen an enormous run up in the market capitalisation of software companies; these are the companies whose sales and physical assets are low — but they do have very high profits and very high, some say even astronomical, valuations. The argument of some more conservative investors is that market capitalisation often reflects the fashions of the day and the popularity of a particular industry could turn out to be a transient fad.

Since we started doing this list, we have focussed on each of these different measures from time to time. It would also be fair to say that at different stages of company's growth or at different stages of an economy's growth, one or two indicators may be more important or more relevant. At a later stage the focus could and probably should shift to other indicators. One interesting indicator which has not been adequately factored in is the rate of growth whether of sales or profits or for that matter assets. A company that can maintain a high rate of growth year after year is clearly more valuable than one that grows in fits and starts.

In fact the Super 100 ranking that we have developed over the years needs to be relooked at in the light of changed business and economic conditions. So far we have been taking each company's ranking on each of the different lists and adding them together. The companies that have the lowest total figure the highest in our list. But this mechanical summation may well have outlived its usefulness. But having said this it has been difficult to find an appropriate and adequate substitute. Summing up, or multiplying the actual sales, assets, profits and market cap is not an adequate measure either, for this would skew any list in favour of assets or sales at the cost of profits. Also as mentioned earlier, absolute numbers ignore rates of growth. Equally other key issues like technology are ignored. For these reasons, leading academicians worldwide have begun to postulate radical theories on valuation of companies and long-term sustainability of growth.

One question being asked today is whether this bull run is for real. Our answer is a categorical yes. In fact, what we are witnessing today is only the early days of the growth phase. Perhaps in the future it may be necessary to give more emphasis to market perceptions (which look at the future) rather than balance sheet numbers (which reflect the past).

We look forward to hearing from our readers on these issues.

in this issue

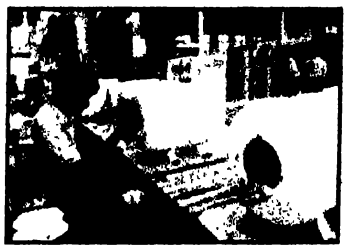
Accountancy	130
Advertising	127
Banking	124
BI Index	18
Books	192
Businessmen in the News	32
Business Notes	38
Column	43,
Corporate Reports	72
Corporate Talk	77
Cover Feature	79
CyberNews	22
Dhir's Page	50
Economy	52
Economic Indices	54
Editorials	11
Executive Focus	172
Executive Track	174
Exports	152
Feature	128
Focus	59
Follow-up	28
For Your Information	17
Government & Politics	44
Infotech	139
International Briefs	171
Internet Addresses	148
Interview	198
Letters to the Editor	6
Listening Post	14
Manufacturing	131
Market News	154
Market Talk	156
Marketwatch	160
Mutual Fund Monitor	164
Newscast	29
People	196
Retailing	126
Real Estate	135
Selections	188
Special Report	66
States	138
WorldPaper	165

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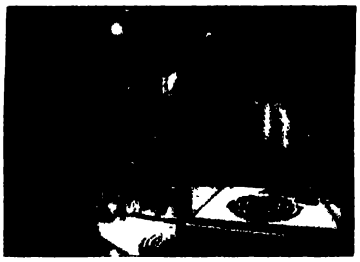
Corporate Reports
72
S. KUMARS
Following the recent rush in the retail segment, the S. Kumars group has chalked out its own ambitious plans

75
MTS



Multinationals are looking at Pune as a base to set up shop in India. Enter, MTS

44
Government & Politics
- The fiscal crisis casts its shadow over the disinvestment process
Due to a technical error, pages 46 and 47 in this issue have been inadvertently interchanged. The error is regretted.
- The immediate benefits of the gold



deposit scheme could go to temples, trusts and speculators
- The BJP needs to "manage" Kalyan and keep its coalition partners happy

52
Economy
The new textile export quota policy unveiled by the BJP government appears at first sight to be an attempt to revive exports. It is anything but that

77
Corporate Talk
Jac Nasser took some time off to discuss with *Business India* his views on the Indian market, WTO and the future of the global automobile industry

124
Banking
ABN AMRO is one foreign bank whose appetite for growth is insatiable

126
Retailing
H.S. Narula is not only growing his Ebony stores but also giving them a new sheen

127
Advertising
The recently concluded AdAsia conference in Thailand proved to be insightful

128
Feature



With a host of international perfume brands poised for their official Indian debut, domestic customers have much to pamper their olfactory senses with

131
Manufacturing



Hero Honda Motors is being rated as the best Honda plant outside Japan

138
States



Maharashtra's new fourth-stage power project at Koyna will be the biggest single hydroelectric plant in India in both capacity and sheer size

139
Infotech
A new city-specific Website is helping buyers shave prices of a variety of durables

11
Editorials
- The government should keep the retail investor in mind when thinking of divesting in PSUs
- Given the government's attitude, textile exporters will continue to remain unprepared for the post-MFA regime
- Will the labour minister be able to deliver justice to the much-abused textile mill workers?

28
Follow-up
- In an age where product parity is the norm, brands are increasingly the differentiator
- Himachal Futuristics Communication hopes its current performance will earn them good

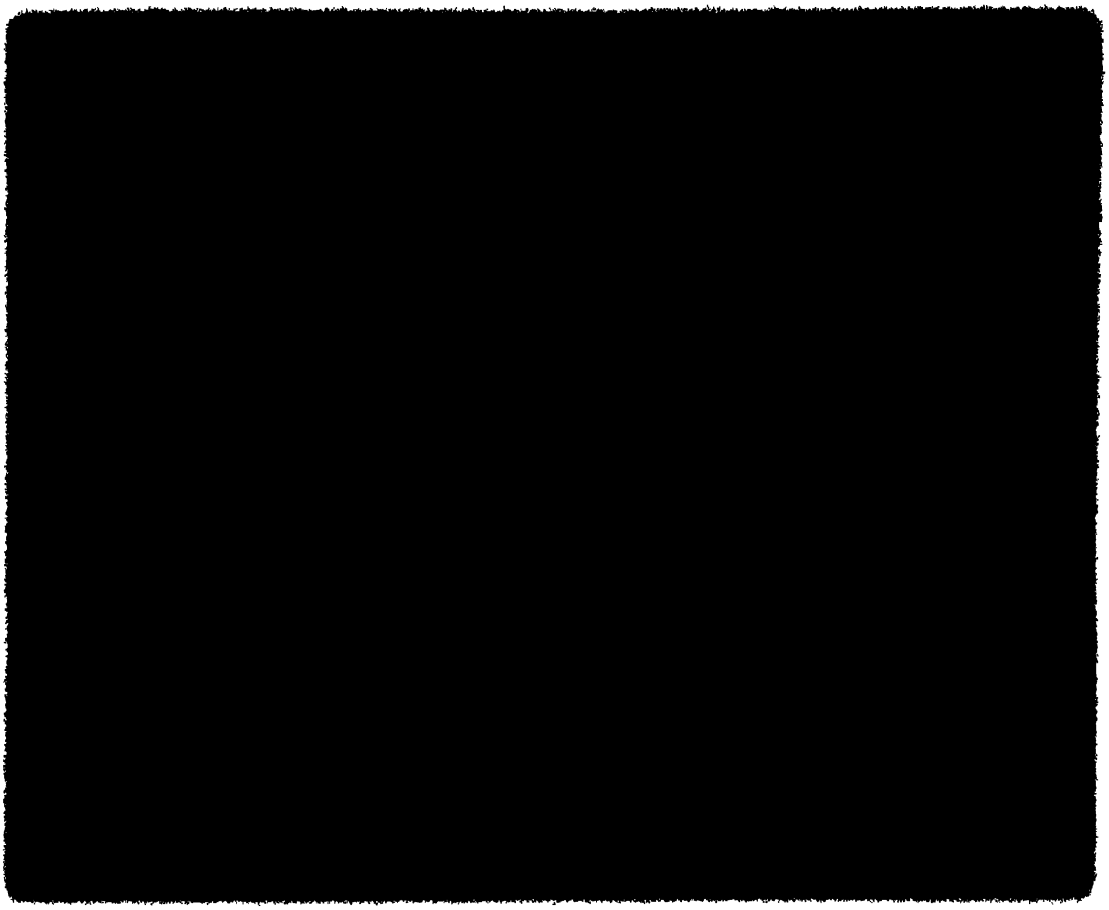
38
Business Notes
- India's first international marine exhibition creates a splash in Goa
- Faced with steady slippage in production and despatch targets, Coal India Ltd recently revised its Ninth Plan projections
- Maharashtra chief minister Vilasrao Deshmukh is keen on luring back industrial investment that has of late been lost to other states
- UK is being sold as the education destination for the next millennium

198
Interview
Gary L. Ackerman spoke to *Business India* of the strategic partnership he envisaged between his country and a "resurgent India"

COVER FEATURE
79

Super 100

Little change at the top as corporate India emerges from the gloom. Knowledge-based industries, however, are on the move





Cover design and graphics: SANTOSH KANGUTKAR

SPECIAL REPORT
66

After a prolonged lull, the Rs6,500-crore car finance industry is revving up once again mirroring the strong demand in the proliferating economy car segment





FOCUS
59

Mumbai has seen it all – the rise and fall of its oldest port and the rise and rise of a young port – and is asking if the city has one port too many



• Imagine the worst

I read with interest your feature on the BPL group (1 November). Rajeev Chandrasekhar, unlike his brother-in-law Ajit Nambiar, is known to be brash and too aggressive for BPL's and his own good. As a BPL-watcher for many years, I found your glowing report of the group rather amusing. Fact is, your research findings do not match the ground reality. For many years the BPL group has been known to treat its vendors shabbily and had a pathetic payment record.

Secondly, and more importantly, the BPL group has a very poor record in rewarding its shareholders. Lately BPL Sanyo Technology Ltd and BPL Sanyo Utilities & Appliances Ltd have started defaulting on repayment of matured fixed deposits. The situation is so bad that even a small deposit of Rs5,000 takes 60 days to settle.

Why don't you seek the comments of Chandrasekhar and Nambiar on this issue? Please inform them that spending crores in advertising and cricket sponsorship does not build brands and customer goodwill when corporate conduct across a broad spectrum does not inspire trust.

How can one believe in the best (BPL's corporate slogan) when one's experience compels one to imagine the worst?

BRIG. GONSALVES
Bangalore

• Get them out!

As the lone MP representing Delhi in the Union Cabinet, Urban Development Minister Jagmohan has the added responsibility to unearth the rent-scam prevailing in the Capital. He needs to identify those allottees, both out of turn and otherwise, of government accommodation who are themselves not staying at the premises but have instead given them out on rent.

It is imperative to evict the unauthorised tenants as also the allottees themselves who do not appear to be in need of government accommodation at all. Besides, it is grossly unfair for those government employees whose requirement for official quarters is bona fide and who are placed indefinitely on the waiting-list. They have to pay exorbitant rents to private house-owners. As both are government employees, is not the discrimination too harsh and paradoxical?

It is pertinent that the government acts as a model employer by identifying the housing needs of its employees, constructing adequate and suitable accommodation and enhancing the House Building Advance ceiling which at present is insufficient to meet construction. The employees are hence constrained to approach private companies which charge heavy rates of interest. It should allow a rebate of interest on HBA in income tax as soon as the instalments start getting deducted from the salary. Currently, this rebate is allowed after many years when the house has been fully constructed, that is, after the employees have already survived on salaries diminished by deductions for housing instalments and rent payments.

MOHAN
New Delhi

• DSQ in doldrums

Regarding your Listening Post item (18 October) about the Ambanis taking over the Chennai-based software company, DSQ Software Limited, the latter has already denied this report. Reliance has, in fact, taken over controlling interests in the Bangalore-based software enterprise of Innomedia Technologies Pvt Ltd for Rs8 crore, a fact confirmed by Reliance. DSQ software is beset with all sorts of problems that have reportedly motivated all the 20 top executives as well as several senior and junior level employees to leave the company over the past four months. Though Mr Dalmia of DSQ software may have profited greatly as reported by you, he has, however, lost all credibility in running the company professionally. Whether he manages to come out of the mess he has created for the group companies will reveal whether he has bitten off more than he can chew.

C K GANESH
Chennai

• Extend the benefits

Reforms in the excise-duty structure are necessary in the interests of both the exchequer and the taxpayers. The system of imposing excise-duty on the basis of maximum retail price (MRP) should be extended to the maximum number of commodities as it is designed to check malpractice by manufacturers to befool the consumers as well as the exchequer. For instance, gimmicks like 'exchange schemes' for electrical and electronics items and offering undesirable items as 'free gifts' with purchased items can very well be checked by imposing this excise-duty.

The last Union budget took a welcome but incomplete step of rationalising the excise duty structure in three publicised slabs of 8, 16, and 24 per cent. But commodities having higher rates of 30, 32 and 40 per cent were taxed as previously by having a special additional excise duty of 6, 8 and 16 per cent respectively, over and above the much publicised highest slab of 24 per cent. The tariff structure should, in fact, be further simplified in five actual slabs of 8, 16, 24, 32 and 40 per cent, thereby abolishing at least one more prevailing slab of 30 (24+6) per cent.

The finance ministry must offer the best proposals to state governments so that the states may agree to replace local levies like Sales-Tax by an increased excise duty in order to ensure improved tax compliance and thereby increase revenue earnings. It will then be possible to print the net payable price, inclusive of all taxes, including Sales-Tax, on commodities in the larger interests of consumers.

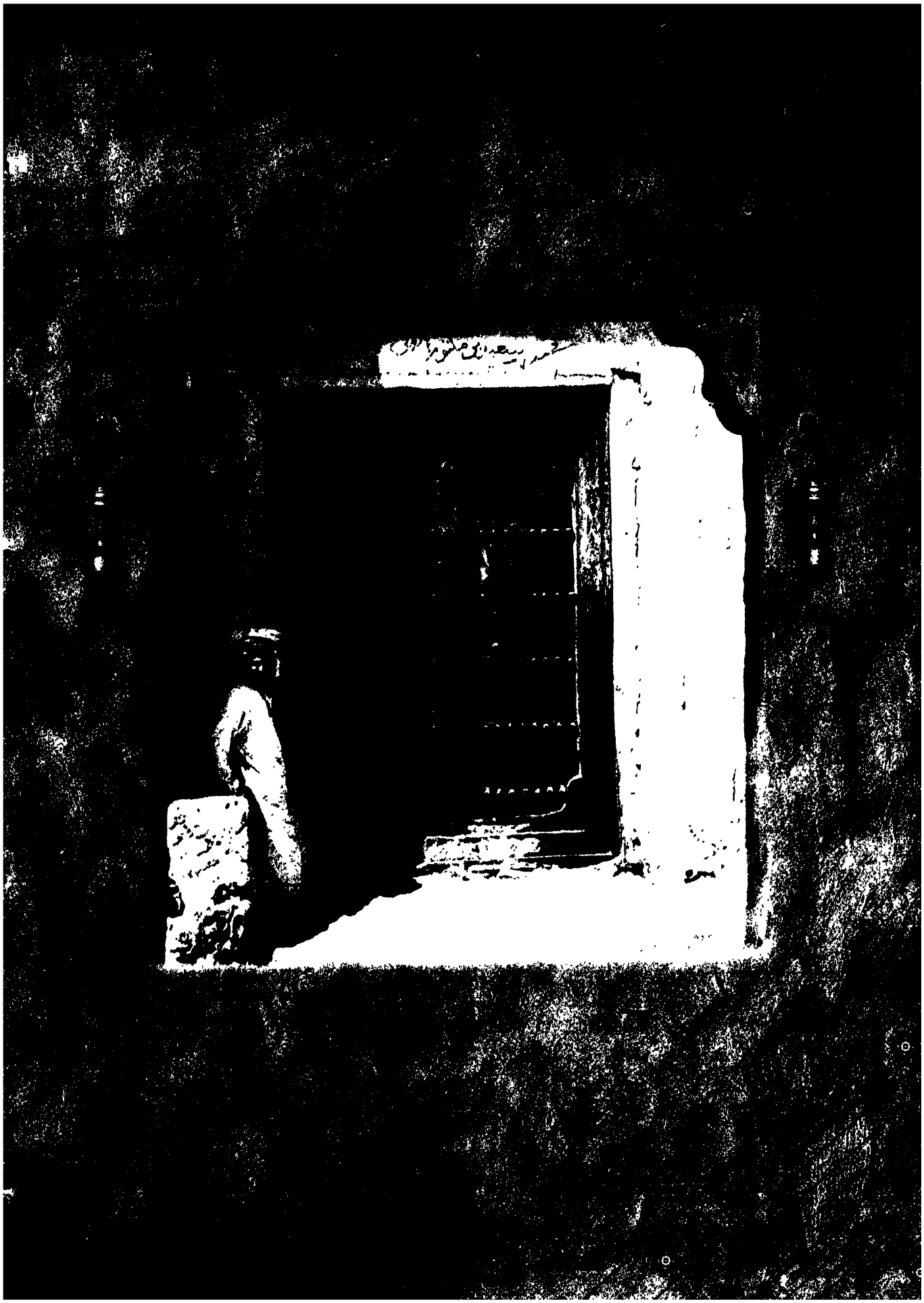
SUBHASH CHANDRA AGARWAL
New Delhi

• Damaging statements

Your Cover Feature on Thomas Cook (17 May) contains various statements which are not true and are damaging to our business. We'd expect that your magazine, being one of the most professional ones, would have taken care to verify Mr Kakkar's statements before publishing them.

ADIJ. KATGARA
Director
Travel Corporation of India
Mumbai

While we confirm that we made every attempt to verify our facts with industry sources, we regret any inconvenience or embarrassment caused to TCI as a result of the article.



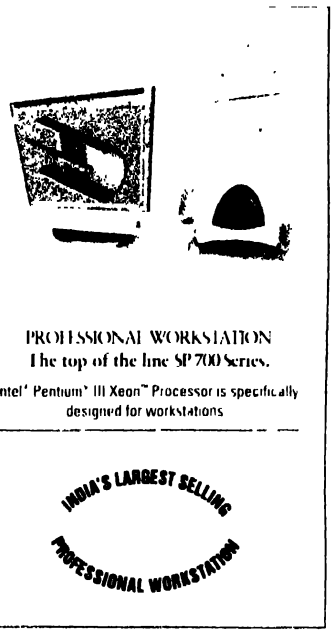


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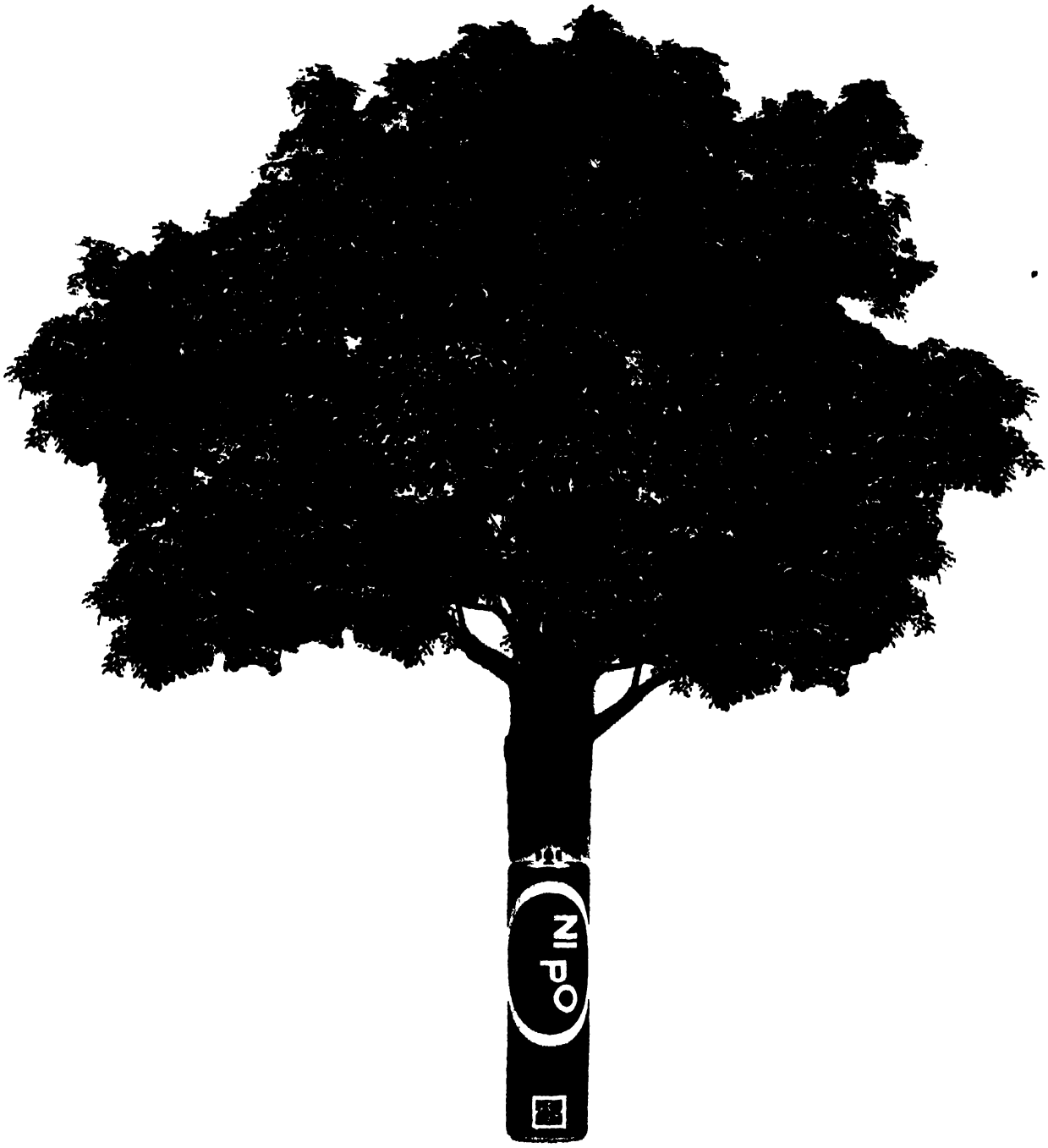


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A share of the action

The government should keep the retail investor in mind when thinking of divesting in PSUs

Experience is the best teacher, at least that is what age old wisdom would have us believe. But not for the finance ministry, it seems. According to press reports, the ministry is "toying" with the idea of hawking significant stakes in some of its PSUs to the highest bidder in open bids, the way it was done in the case of IPCL.The proposed move, we are told, is supposed to be an improvement on the predetermined strategic partner route that has been suggested by the Sengupta committee for the PSUs. The finance minstry is of the view that this is the best way of mopping up resources to fill its growing fiscal deficit. Is that a correct view?

Not necessarily, if the government thinks beyond its nose and certainly not if one keeps in mind the recent experience of another PSU whose equity was sold to the public. In September, the VSNL went through a public issue in which the share was offered at a discount price of Rs750. It was oversubscribed by 20 per cent. By all accounts, the public issue was a success; first of all, the government divested its share, or at least a part of it, to the public, a move that represents the best part of the divestment process. Secondly, and more importantly, the share price has since then more than doubled; on 23 November, the VSNL stock was quoting at around Rs1,600 per share clearly representing a tremendous gain for the investors who were lucky enough to get some shares. And thirdly, perhaps the most important aspect of the issue, was the fact that applications were accepted for a minimum of 10 shares thus allowing the small investor to become part owner of the company.

Against this backdrop, the finance ministry's strategy for Bharat Petroleum Corporation Ltd (BPCL), Hindustan Petroleum Corporation Ltd, and IBP, appears inexplicable. Why does the ministry want its most profitable companies to be sold partly, no doubt to strategic partners, even if the sale is done through open bids? Surely it would make more sense for the government to have opted for the VSNL route in the case of the aforementioned companies considering their performance? Offering shares of blue chip companies to the public again at discounts would surely galvanise the markets and send the right signals about ownership, an issue that raises people's hackles when strategic sales are considered.

The idea of open bids or sales to partners in companies that are doing well is an exercise in desperation and shortsightedness. According to reports, Reliance and Exxon are among the companies that have expressed an interest in the oil companies. According to the data available in the Super 100 section of this issue, the oil majors lead the pack including Reliance. So what would a sale to a bidder achieve?

Precious little for the country or the public but a good deal for a government that prefers the lazy man's approach to meet its growing expenditure. Selling the family silver as it were has its merits only if it achieves universal good. That is the way that the best privatisation programmes in the United Kingdom and elswhere were viewed. As is well known, the privatisation of British state companies had the effect of deepening the capital market by widening the base of investors and also helped the government reduce its outlays even if in the immediate term revenues were slim on account of the discounted prices of the divested stock.

For once the Opposition is right in opposing the sale route for the profitable PSUs though for the wrong reasons. Divest, the government must. If the oil companies are doing well the benefits of that performance must accrue in terms of wealth creation for the retail investor and not a partner who would have precious little to add to that performance. Let the government sell, either through predetermined sales or open bids, companies that are sick and that require the expertise the proposed partners can bring to bear on the performance of the ailing PSU.

So what should the government do? For one, it should announce the divestment of 10 per cent of the oil majors' stock at a discount like it did in the VSNL case and then periodically divest at rising prices to the point where it can offer to the public the amount it wants to at a premium in the full knowledge that the Indian investor will buy because it is starved of good stocks. That is the way that the government can meet all its objectives and more. At the very least, it will earn the gratitude of an investing public.



Emperor has no clothes

Given the government's attitude, textile exporters will continue to remain unprepared for the post-MFA regime

While officials from the commerce and finance ministries together with their ministers and industry associations with their advisors are packing their bags for the Seattle bash, one area that needs to be looked at critically is textile exports. By 2004 the Multi Fibre Agreement that favoured developing countries with quotas will come to an end and India will have to fight off the wolves from developing country exporters who have for long been preparing for that eventuality of free trade on textiles. Sadly, that has not been the case with India.

Take a look at the latest data on the subject. While the country's general export growth has been moving up in the first half of the current financial year recording a 5 per cent growth, textile exports have been moving along the floor with a 2.7 per cent growth over the previous year. Particularly distressing is the fact that the readymade garments (RMGS) segment, cotton textiles, man-made textiles, wool and woollens, which together account for 41.7 per cent in the total basket of textile exports recorded a far poorer growth at 2.4 per cent than cotton yarn and handicrafts that have a weight of 24.3 per cent and which posted a hefty growth of 10 per cent.

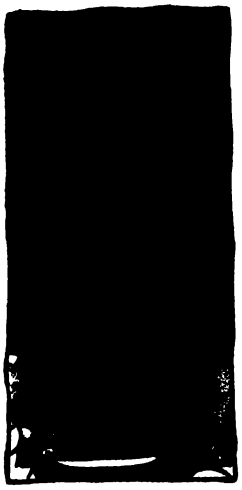
The figures reveal that more than just a lacklustre performance; they tell us that there is a real possibility of India losing out on the upper end of the scale, that is, readymades, becoming in the bargain a mere yarn producer. RMG producers may cry that this is a premature judgement, that performance in one half of a year is not enough to reach meaningful conclusions; but the fact is that the country's exports do face a challenge and the government has not yet woken up to it. For evidence, turn to official pronouncements on the industry as a whole. Clearly, it is only in the context of the industry that the fortunes of the export sector can be measured.

Early this month, the Union minister for textiles, Kashiram Rana, revealed to the nation his five-year textile quota policy. Rana claimed that his policy was tailored to help the Indian textile industry meet the challenges that the post-MFA era would bring after the year 2004. But the minister then turned right around on his axis and informed us that since the basis of his policy was continuity and stability the quota system would stay till the end of five years; and that the annual levels of past performance entitlements would be retained at 70 per cent. Clearly, the desire for continuity or stability will help no one face up to the challenge of the quota free regime; or does the minister think that the exporters will get competitive in the new era overnight?

To be sure, the minister did announce some administrative changes for the better, but the fact is that the spirit of the policy is stunningly conservative and in the process blind to the long term needs of the industry. For instance, Rana has not addressed the basic issues that continue to haunt the industry, issues that have shackled the industry, all of which can be summed up in the complete lack of freedom to innovate, rationalise or exit. Thus the minister has nothing to say about the need for closing unviable mills or the urgency of allowing exit options for extra labour, the free trade in cotton, and, of course, the bias against manmade fibres, or, by the reverse token, the discrimination in favour of the handloom sector.

What is particularly distressing is that prior to the announcement of the policy, the minister had promised to follow the report of the committee headed by a former textile secretary, S. Sathyam. That report had made significant recommendations for turning the industry into a competitive one. Among other things, Sathyam had suggested privatising viable NTC units, closing the rest, freeing trade in cotton, allowing 100 per cent FDI in the apparel sector, dereserving the handloom sector, giving an export thrust on value-added goods, making all export promotion schemes WTO-compliant, rationalising the excise duty structure on fabrics, yarns, giving the state governments the power to retrench labour; in a word, liberalising the sector to make it more competitive.

But the textile ministry may have decided that Mr Sathyam hadn't quite made the brew the way they would have liked it; a sentiment that was reflected in the hackneyed quota policy announced subsequent to the committee's nostrums. Rana, the minister, or, should one say, the politician, is more concerned with protecting labour and other entrenched lobbies. But the clock is ticking away.



Spinning a yarn?

Will the labour minister be able to deliver justice to the much-abused textile mill workers?

With 58 mostly decaying textile mills straddling a combined land mass of 280 hectares of prime real estate in south and north central Mumbai, all the succeeding state governments have been hard put to devise a scheme whereby they can milk this lucrative segment whilst ostensibly safeguarding the interests of the mill hands engaged there.

The recently-elected Congress-Nationalist Congress Party coalition has been no exception. Labour minister Hussain Dalwai has announced his department's proposal to acquire the surplus lands of these 32 private sector and 26 nationalised mills to, what he claims will, ensure the rehabilitation of workers and at the same time prevent misuse by the mill owners. Twenty-five mills belong to the National Textiles Corporation (NTC), while one is controlled by the Maharashtra State Textile Corporation (MSTC).

With "rehabilitation of the workers" as the buzzword, the Sharad Pawar regime too had permitted nine mill owners to sell their land. And the Shiv Sena-BJP government of Manohar Joshi that had followed had publicly indicated in 1997 that it was in favour of mill land sale, a sentiment quickly endorsed by the Sena supremo Bal Thackeray. But while the latter had to backtrack in the face of rabid opposition from the mill workers, the Pawar administration's plan was derailed by the daylight murder of Suneet Khatau, the owner of Khatau mills, in May 1994.

The point is that it has all along been the myopic policies of self-serving dispensations that have denied a workable solution to this enduring problem of Mumbai's textile industry. Cotton mills made their advent in the city in the middle of the 19th century and by the 1930s, almost half of the population subsisted either directly or indirectly on the textile trade. Over the past almost two decades, Mumbai's industrial and manufacturing base, which was the bulwark of its thriving economy, gradually yielded to the brashness of the services sector.

The cozy collusion between government and mill owners did not go unnoticed. The Mill Workers Action Committee says it has documentary evidence to suggest that the Municipal Corporation of Greater Mumbai (MCGM) and the Maharashtra Housing and Area Development Authority (MHADA) allowed the development of surplus mill land before the previous Sena-BJP government formulated a policy on its sale. It is alleged that the state government stayed the sale of land to extort money from the mill owners and granted development rights to them during the interim stay itself, in violation of transparency norms. It also allegedly bypassed the rule granting 33 per cent of the total mill land to MHADA to build low-cost housing to relocate dispossessed mill workers and disregarded its promise of October 1996 to consult trade unions before taking any decision regarding the mill land.

There was thus no relation between the mill land sale and the rehabilitation of workers despite the government's assurance to link the two. Banks and financial institutions are anxious to see that the mill lands are sold as they can then recover their dues from the mills. Banks and FIs have the first charge on the property of these mills. The dues amount to Rs1,200 crore from NTC-run units and Rs800 crore from those belonging to the private sector and constitute around 5 per cent of the banks' non-performing assets.

Mumbai's "girangaon", or the mill precinct, is currently being converted into residential complexes, shopping malls, bowling alleys, discotheques and fancy restaurants. Workers have naturally taken umbrage at this development. They are also unnerved by Union textiles minister Kashiram Rana's recent suggestion of shutting down mills run by the NTC and the MSTC, fearing that over 30,000 workers would be rendered jobless in Maharashtra alone.

The sick units can be revived by modernising them from funds raised by selling the surplus land lying idle with the mills. Yet this can never be achieved by a piecemeal approach, but by a holistic one that would ensure improved management of the mills and proactive workers' participation. Dalwai has now assured the framing of a comprehensive labour policy that will effect changes in the Labour Act and will be formulated after consultations with union representatives. He will bear the risk of having his policy too lapse into futility as with all those formulated earlier. Unless, of course, he desires to prove that his government means business.

Glaxo selling seven brands

For the first time since Glaxo India hawked off its foods business (including Complan and Glucon D) to the Pittsburgh-headquartered, $12-billion HJ Heinz & Co for Rs210 crore in October 1994, the company has embarked on another selling spree. The pharma major is all set to sell seven prominent brands — derma-based Zovate and Anovate, vitamin Macraberin, Otina eyedrops, Efcorlin drops and injectibles, multi-vitamin Vibelan Forte and skin ointment Derobin. The mandate has been given to Citibank NA, which has in the past handled both the Biddle Sawyer and ICI animal health acquisitions. The turnover of these brands in the last balance sheet was Rs28 crore. Glaxo expects a much larger amount to accrue and prefers to sell all of them to a single buyer.

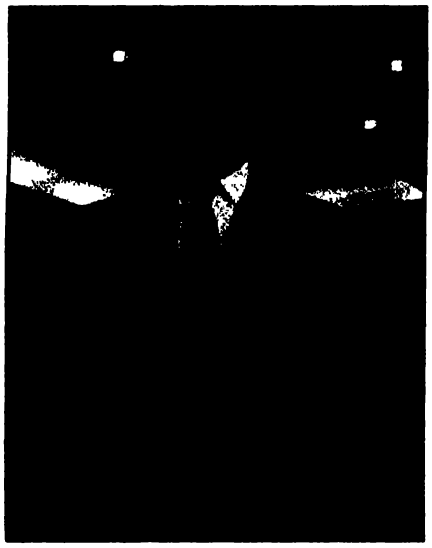
Will an Indian get in?

Even before his regional satphone project, Agrani, gets off the ground, Subhash Chandra has mounted an audacious bid on global satphone company ICO-Global. Due diligence is being carried out by Donaldson Lufkin & Jenrette. It also helps to have Jai Singh, CEO of Agrani, around as no one knows ICO's systems better than he does. Contrary to media reports that Craig McCaw of Teledesic might have been chosen as the appropriate suitor for ICO, sources close to Chandra say that the matter has not been decided yet. The next step seems to be bankruptcy hearings in a Delaware court on 3 December.

Everything might seem to be going right for Chandra — VSNL is the second largest shareholder in ICO and Chandra is being backed by a group of international investors, including some Indians. But even if his bid proves to be financially attractive, the question is whether the US, which constantly lectures other countries about enabling free trans-border flow of capital, will allow him to control a global communication company? US authorities may not object formally as ICO is not a US company but an international firm registered in Bermuda and the Cayman Islands. However, since the satellites are being built by Hughes, there can be obstacles put in transferring control. A cynic commented that even if the bid fails, Chandra would have been privy to a lot of sensitive commercial information about ICO which would help his own Agrani project.

End of an affair?

The latest buzz in financial circles is that the high-profile Uday Kotak's four-year-old partnership with Goldman Sachs is virtually at an end. It may be recalled that Goldman had picked up a 28 per cent stake each in two subsidiaries of Kotak Mahindra Finance



PALASHRANJAN BHAUMICK

Is the sheen wearing off Kotak's ties with Goldman Sachs?

Ltd — investment bank Kotak Mahindra Capital Corporation and Kotak Securities, a brokerage house. While relations have not formally broken, the ambitious plans jointly announced with great fanfare look like they are going to be pursued by the individual partners independently. Last year, Goldman upgraded its representative office in India to a full-fledged finance company, 75 per cent owned by Goldman and 25 per cent by Uday Kotak in his personal capacity. While the partners had at the time reaffirmed that the new company would not in anyway affect KMCC's business, industry observers say that a conflict of interest is inevitable.

In the meantime, this simmering situation doesn't seem to have affected Kotak's ability to garner business. It was the lead book runner in the Hughes Software IPO and is also a key player in the HCL Technologies issue. Nor does the company's share price seem to have done badly. In fact, it has gone up from Rs18 in June to Rs66.55 last fortnight.

Building plans

The hot new address in Mumbai by year 2001 will be the 22-storeyed Centrum Tower. This condominium of 70-odd apartments which is still on the design board, marks consumer goods giant Hindustan Lever's foray into real estate. Lever is leveraging a piece of property situated at Wadala in central Mumbai that came its way when it acquired Tomco from the Tata group. The complex will boast a swimming pool and 24-hour security. About 35 flats have been reserved for Lever managers and the balance will be offered to the rest of Lever's staff who may be interested and other friends and associates of the company. Lever chairman Keki Dadiseth and legal director M.K Sharma are said to be among the prospective buyers. The contract for construction has been awarded to Shapoorji Pallonji and the building should be ready in 18 months.

Racing ahead

Car care beyond compare is the catchline. And the high-flying Concorde Motors, a joint venture between the House of Tatas and Jardine, appears to be in acquisition mode. After purchasing pharma giant Glaxo's Delhi Mathura Road property last year for Rs20 crore, Glaxo's Chennai Vellachari property has also been clinched for Rs22.10 crore. Concorde Motors has two sprawling properties in Mumbai's upmarket Prabhadevi and the MIDC area in Andheri East. Concorde Motors, which hawks the Tata Indica, Safari, Sumo and Sierra models, is thus proving to be a name to reckon with in the car dealership sweepstakes.

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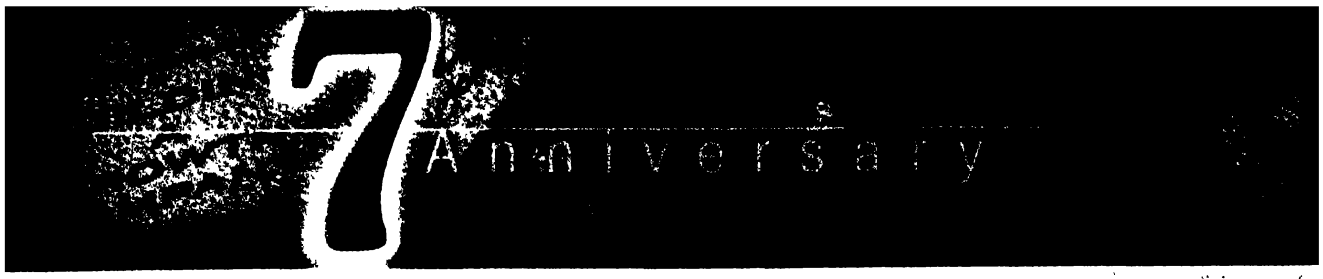
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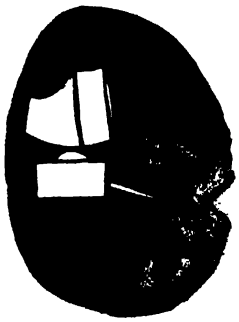
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Animal app... Capitol crimes... Fish food

Software developers (with exceptions such as Microsoft's army of company men) have been known for thinking out of the box. The result: several esoteric applications that are of no use to man or beast.

From Arizona (US)-based BitBoost, however, comes a package that is intended to be of use



to both man and beast. The new offering – PawSense – is billed as a background application that can tell the difference between a cat walking and human typing.

The purpose of the package is to avoid files being accidentally deleted or the machine crashing when kitty walks across the keyboard. Don't laugh; that may really be a menace in the mushrooming small office/home office segment.

According to BitBoost, unlike human typing, a cat's paw presses three or four adjacent keys at the same time. When this happens the software cuts off keyboard inputs and plays a noise to scare off the errant feline.

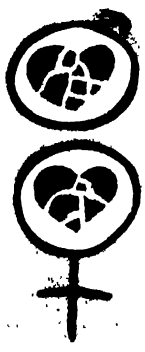
The software should, technically speaking, work for other denizens of the animal kingdom too. But it may be a wee bit difficult for PawSense to distinguish between a cat and, say, a dog. The noise that scares off a cat may well work as a mating call to some other species of domesticated animal.

Indian MPs and MLAs are known for their criminal inclinations; many have extensive records for murder, mayhem, and what have you. But they are not alone. US online news service Capitol Hill Blue has recently revealed that members of the US Congress also have their vices. According to the news service, 29 current members have been accused of spousal abuse, 19 of writing bad cheques, 71 have bad credit reports, and 117 have been involved in two or more bankrupt businesses. Included also are seven arrests for fraud, 14 for drug-related charges, eight for shoplifting, and three for assault. Also, in 1998 alone, 84 members were stopped on suspicion of drunk-driving but were released when they claimed constitutional immunity.

Urine therapy is no longer the big thing it used to be when Morarjee Desai was prime minister. But, thanks to more stringent tests for athletes, there is a niche but rapidly growing market for urine out there. Athletes who are on performance-enhancing drugs use various means to pass the tests. These include hiding pouches containing urine in various body openings and squeezing it through concealed tubes. There have also been instances of directly injecting clean urine into the bladder. According to a *Washington Post* report, South Carolina urine seller Kenneth Curtis says he now only urinates professionally: "I don't waste any of my assets. It's literally liquid gold."

When men have heart attacks, the probability of their wives having one increases sharply, says a study presented by Lynn Macken at the American Heart Association Scientific Sessions. This is not because of any additional tension resulting from the spouse's problems: it is more because the pair share the same lifestyle.

The study found that, if the man suffering the stroke



was fat (and a large percentage of the sample tended to be), it was likely that his wife would be equally overweight. There were also similar patterns in smoking and exercising. All this automatically moved the wives into a high-risk category. More significantly, while men did tend to give up smoking after a heart attack, this abnegation did not extend to their wives. The study suggests that there needs to be more sharing of information to reduce risks.

If Jeeves, Bertie Wooster's gentleman's gentleman who nurtured his grey cells on fish, had been alive today, he may not have been very happy with his diet. Today's fad of healthy eating, which is making rapid inroads in the western world, has extended to the diet of farm-raised fish too.

Allen Davis and Connie Arnold of the University of Texas, Marine Science Institute, have been studying the nutritional requirements of fish and building diets that provide enough protein to achieve maximum growth. Tailor-made diets and feeding regimes can cut feed costs and can reduce pollution by as much as 25 per cent as with leaner diets the fish excrete less waste.

They are also trying to determine how much food fish need at different stages of their growth. The normal tendency of

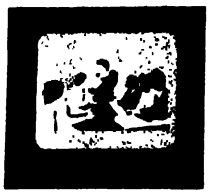


fish farmers is to use cheap feed. But this works out to be more expensive as the amount of feed needed is much higher. Also, they end up with more waste.

Other scientists are working on specialised foods that make the fish tastier and a healthier diet for human beings. Would that tip the scales for Jeeves?

Here's an offering from Microsoft's MSNBC: "Scotland Yard detectives said they overestimated the number of dead in a fiery London commuter-train crash in October because some survivors had walked away quickly and left town, spontaneously deciding to start new lives. (Detectives know this because several changed their minds and returned home). After an announcement that some bodies were burned beyond recognition, other people called investigators to say falsely that their estranged spouses were on the train, hoping for official death rulings so they could inherit marital property." ◆

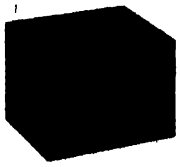
BUSINESS INDIA INDEX



Estimated valuation of 5-year-old Siticable, the cable TV arm of Zee Telefilms, in million dollars: **800**
Estimated valuation of 117-year-old *The Wall Street Journal*, in million dollars: **1,800**

Number out of every 100 small and medium farmers' households in rural India that use the public distribution system (PDS) facility for procuring food and other essential items: **27 & 20**
Number out of every 100 landowners' households in rural India that use the public distribution system (PDS) facility for procuring food and other essential items: **29**
Number out of every 100 households in rural India that use the public distribution system (PDS) facility for procuring food and other essential items: **33**

Proportion of Indian voters who say 'We should be loyal to our region first and then to India', in per cent: **50**
Proportion of Indian voters who disagree with the statement 'We should be loyal to our region first and then to India', in per cent: **22**



Chances that Indian executives say they 'put work demands before family engagement': **8 in 10**
Chances that Indian executives say they 'are underpaid for the amount of work they put in': **5 in 10**



Percentage of area of Delhi city that is covered with buildings as against the normal desirable average of 15–20 per cent: **50**
Average shortfall in water and power supply in Delhi, in per cent: **50**

Time spent by an average Indian male on leisure and relaxation every day, in hours and minutes: **2 & 40**
Time spent by an average Indian female on leisure and relaxation every day, in hours and minutes: **2 & 55**

Estimated number of Indian restaurants in Great Britain: **7,600**
Ratio of Indian restaurants in London to those in Delhi: **1:1**



Chances that a CEO of Fortune 500 company was sacked between 1980 and 1996: **1 in 3**
Number of times an American CEO appointed after 1985 is more likely to be fired than the one appointed prior to that year: **3**
Proportion of executive board directors of British-owned companies in 1997 who have been with the company for less than five years: **13**
Proportion of executive board directors of British-owned companies in 1999 who have been with the company for less than five years: **17**



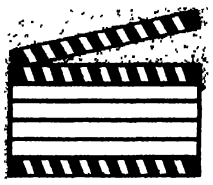
Chances that an American murdered in school during 1998 and 1999 was a girl: **1 in 4**
Chances that an American murdered in school between 1992 and 1994 was a girl: **1 in 20**

Change in the sales of men's fragrances in Great Britain in the last five years, in million pounds: **+20**
Change in the sales of women's fragrances in Great Britain in the last five years, in million pounds: **–4**
Proportion of some of the popular men's fragrances that are bought by women, especially young professionals, to be used by themselves so as "to feel strong and in control": **1/3rd**

Proportion of people worldwide who faced severe shortages of water in 1995, in per cent: **3**
Proportion of people worldwide who will face severe shortages of water in 2050, in per cent: **20**



Percentage of women who say they would 'cheat' their husband if he happens to hold a senior management job or if he is doctor: **87 & 76**
Percentage of women who say they would 'cheat' their husband if he happens to be an architect/lawyer or if he is a mason: **20 & 5**



Proportion out of the estimated $30 billion revenues earned by Hollywood films in 1998 that came from the overseas sales of Hollywood films: **50**
Proportion of the revenues earned by Hollywood films in 1980 that came from the overseas sales of Hollywood films: **30**

• Compiled by ANOOP BABANI

SOURCES: 1&2 *Business Standard*, Mumbai, and *Forbes* magazine, New York 3,4&5 India [illegible] 6&7 Survey by Centre for Developing Societies, New Delhi [illegible] 8&9 Nationwide survey of corporate workstyles by Sofres Mode for *BusinessWorld*, Mumbai [illegible] New Delhi 12&13 Consumer Outlook '99, a survey by Kurt Salmon Associates – Technopak, New Delhi [illegible] 16,17,18&19 Studies by Rakesh Khurana of Sloan School of Management at MIT, USA, and [illegible] quoted in *The Economist*, London 20&21 The National School Safety Centre of [illegible] Magazine, New York 22,23&24 *The Sunday Times*, London 25&26 World Bank, [illegible] Milan-based Radio Monte Carlo, Italy 29&30 Human Development Report, United Nations [illegible]

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Commendable effort



What is common between the airlines industry and a place where Christians worship? Well the name Ms Ellen Church, world's first air hostess Ms Church was a qualified nurse who was hired back in early 1930s, by Boeing Air Transport a predecessor of the present United Airlines to fly the San Francisco/Chicago route And did you know that the traditional Indian sari was introduced as a uniform only in 1960 in place of beautifully tailored European dresses with caps set at a jaunty angle These and many other vignettes form the part of a well-designed Website of India's national carrier **www.airindia.com** The site incorporates a history of the company, Air India timeline, art gallery, information on the in house training facilities and ground services, corporate directory, details of flights, travel guide and an interesting profile of Maharajah 'We call him a Maharajah for want of a better description But his blood isn't blue He may look like royalty, but he isn't royal' the words of Bobby Kooka who conceived the Maharajah way back in 1946 The site also incorporates regular updates on the latest happenings at Air-India and allows surfers to send anniversary or birthday greetings from Maharajah Yet another useful feature is the on line timetables seat configuration information on different aircraft and current seat availability on various flights And if you've already made your bookings you can check the current booking status of your tickets, current arrivals, departures and airport schedules All in all, a commendable effort and a must visit site



Mumbai on Net

Here is the newest city-specific, interestingly designed search engine which helps surfers check out information on Mumbai called **www mumbaimart.com.** Launched by MediaWiz Services Pvt Ltd, the site offers yellow pages like information on various utilities like police, ambulances, hospitals, chemists, blood banks, railways, airlines and consulates In the entertainment and food section a user can find good eating places and films including facility to book tickets on line, theatres, festivals,



exhibitions, sightseeing and night-life in the metropolis Its Biz Center allows a company search by name, product/service or contact person The site also incorporates an online store vending products such as accessories, beauty and health, household, leather products, books and magazines, interior decor, jewellery and watches, electronics, bed and bath and food and beverages The site also has a section on Indian male and female models The promoters claim that the site currently receives over two million hits a month and they plan to develop similar city-specific sites for 30 cities in the next six months. Some of the other sites that the company is planning include chaloindia com a premier Indian portal, allindiatenders com which will list most of the tenders published on a single platform and mall-royal.com which will offer free space for businesses that want a e-commerce presence but do not have the required infrastructure or investment.

WebWatch

Biggies for e-com

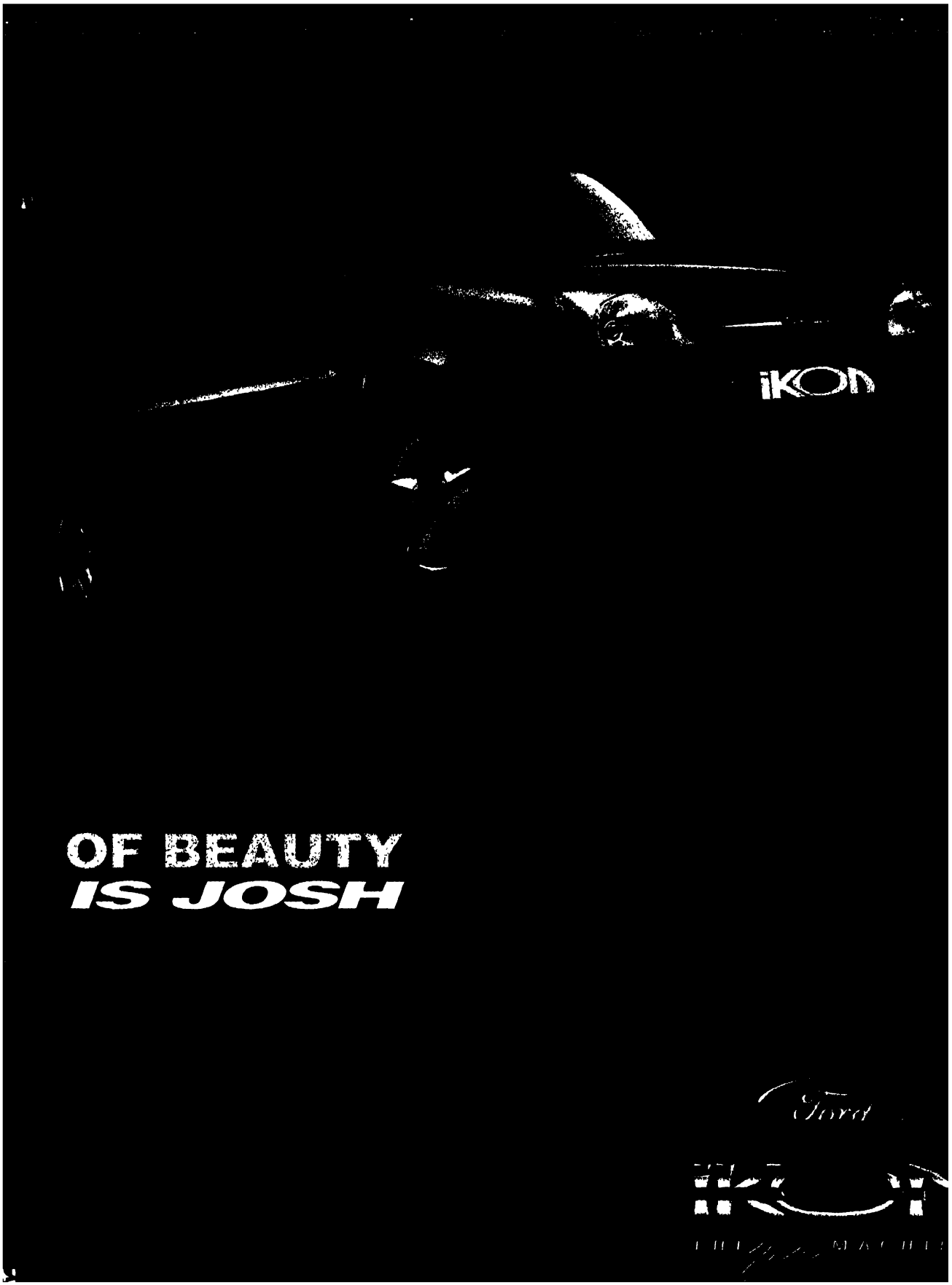
In the first week of November, two of the world's biggest auto giants, Ford and General Motors announced that they would be using the Net to carry out their huge purchasing operations from all over the world. While, Ford is tying up with Oracle, the biggest player in the databases, to establish their e-commerce portal called AutoXchange, General Motors is engaging Commerce One, a developer of Web-based procurement software, to build what it calls MarketSite. While AutoXchange will handle Ford's $80 billion purchases worldwide from over 30,000 suppliers, the General Motors' purchase portal is estimated to involve similar amounts. Both sites are scheduled to be up and running in the first quarter of 2000. By then, it will mean that Net has become mature enough to handle the e-commerce operations of the global giants.

India's e-bay

AuctionIndia.com

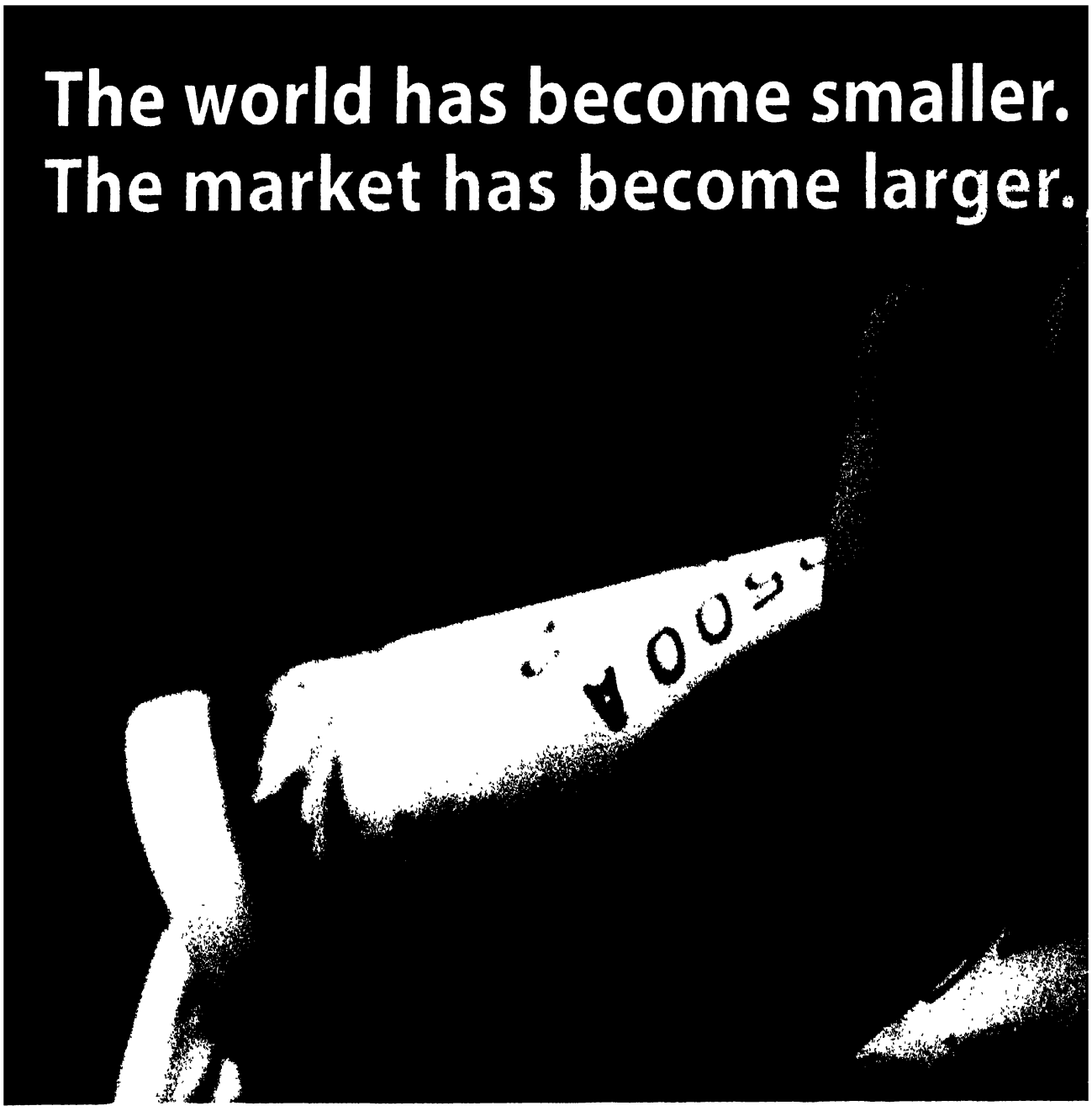
Business-to-business e-commerce in India has a new window now, www.auctionindia.com. This newly-created Website helps sell or buy used machines, second-hand process equipment, old engineering units, production plants, manufacturing factories, industrial land and buildings or even a business opportunity. Promoted by Cyber Commerce Private Ltd, the site covers several categories of surplus and unwanted equipment and even helps recover bank loan and financial institution debt through sale of investment assets. "Banks and institutions can use our services for effective disposal of assets, and maximise value realisation through a combination of auction, tender and negotiated sale" according to promoters. A particularly useful feature of the site is the appraisal service wherein if a potential buyer has no time to travel and inspect the machine on offer or if someone wants an independent assessment of its market value, the site provides this chargeable service. A useful service.

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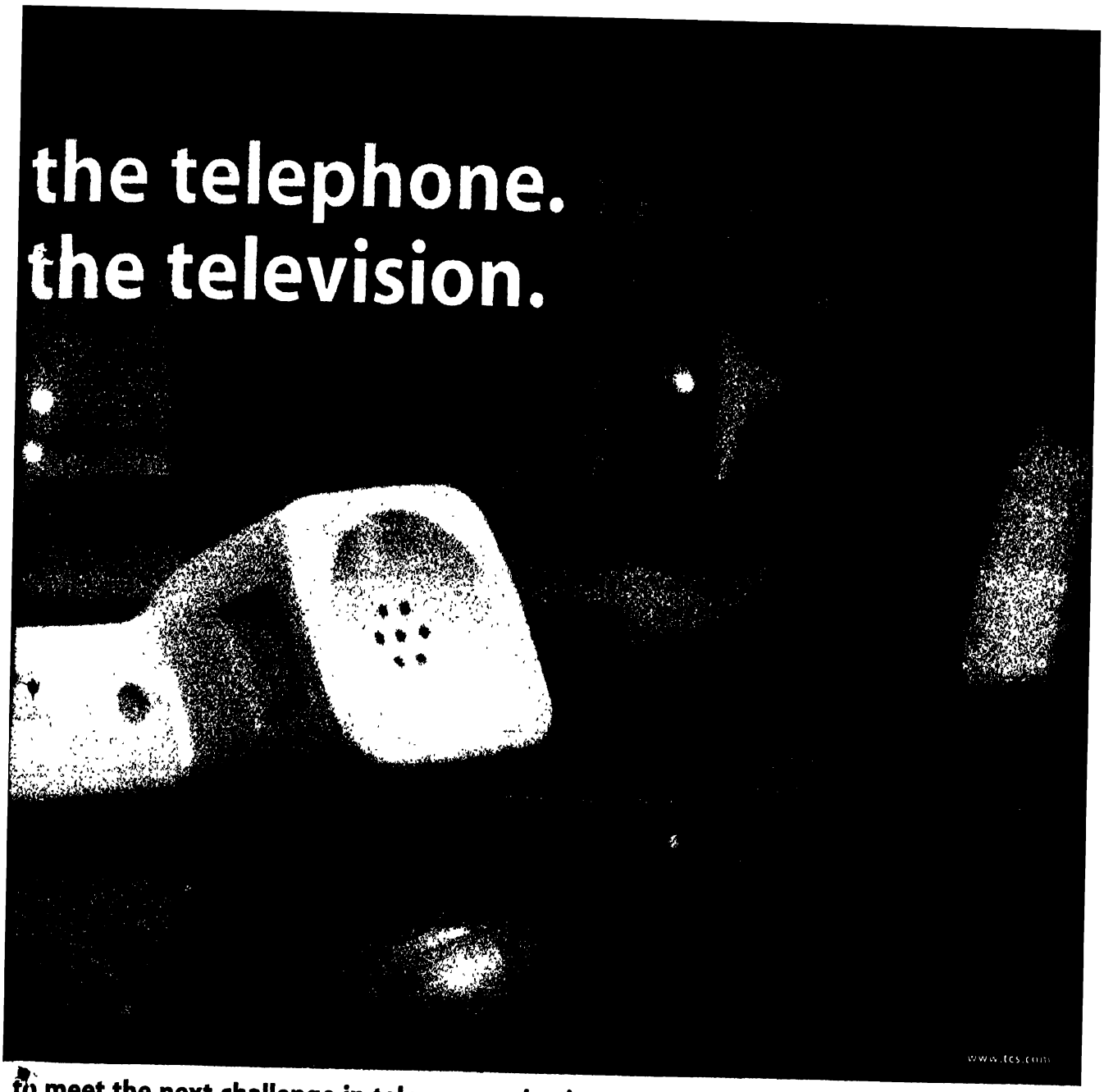
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Brand power

In an age where product parity is the norm, brands are increasingly the differentiator. This phenomenon of brands becoming omnipotent is rapidly transforming corporate India. Over two issues – 8 August and 5 September – we reported extensively on the growing importance of brands, primarily owing to the fact that they are generating huge cash flow.

Over a period of time it is brands that have evolved and added value to their original functional attributes that are succeeding in the wasteland. Companies like BPL, Nirma, and Britannia, which have adopted umbrella branding strategies, for instance, have amply rewarded their shareholders.

Hindustan Lever, which has a welter of top-of-the-line brands in its portfolio, has consistently leapfrogged on the stock exchanges. Procter & Gamble is another example, and Marico Industries. Cadbury, SmithKline Beecham Consumer Healthcare, Pidilite Industries, and Reckitt & Colman are all doing extremely well.

Strangely, Colgate-Palmolive, which remains India's number one brand according to *A&M* magazine, has struggled on the stock markets lately, as has Godrej Soaps, with one of India's most durable brands (Cinthol). Zee Telefilms, which owns the Zee TV brand, is probably the most potent and recognisable Indian brand of the 1990s.

Name	Price Rs 22/11/99	52 W H/ L Rs
Asian Paints	401.00	451/195
Bajaj Auto	407.00	650/398
BPL	330.20	636/112
Britannia	849.95	1206/481
Cadbury	770.00	903/380
Colgate	226.00	300/163
Dabur	935.00	1310/332
Godrej Soaps	51.40	79/23
Hero Honda	1120.00	1549/530
Hindustan Lever	2290.00	2810/1547
MRF	2175.30	2950/1386
Marico Industries	370.00	768/312
Mirc Electronics	438.10	618/70
Nirma	748.00	915/255
Philips	98.55	196/86
Pidilite Industries	618.75	820/228
Procter & Gamble	850.00	1378/735
Reckitt & Colman	355.00	537/300
SmithKline Beecham	626.10	798/481
Zee Telefilms	5495.00	5840/528

While brands are dynamic, they have a personality and only this ensures longevity. Brand-building is thus a consistent, persistent, and insistent exercise. *Business India* now provides a list of companies with brands and their performance levels. Examine the 52-week highs and lows and, interestingly enough, you see ample scope for further growth.

♦ SANDEEP BAMZAI

Back to futuristics

Our 26 August 1996 Cover Feature on the telecom scam involving Sukh Ram correlated the rise of Himachal Futuristics Communication Ltd with the former minister's tenure. The company hopes its current performance will erase that stigma

Himachal Futuristics is back in the news, this time for right reasons: the stock is traded at about Rs400; revenues have more than doubled from Rs210 crore in 1997–98 to Rs412 crore in 1998–99; the order book position is full. The company projects sales worth Rs500 crore this year and Rs800 crore the next. More importantly, the order mix is changing — with movement in the private telecom sector it is already 65:35 between DoT and private operators, while the company is targeting 30:70.

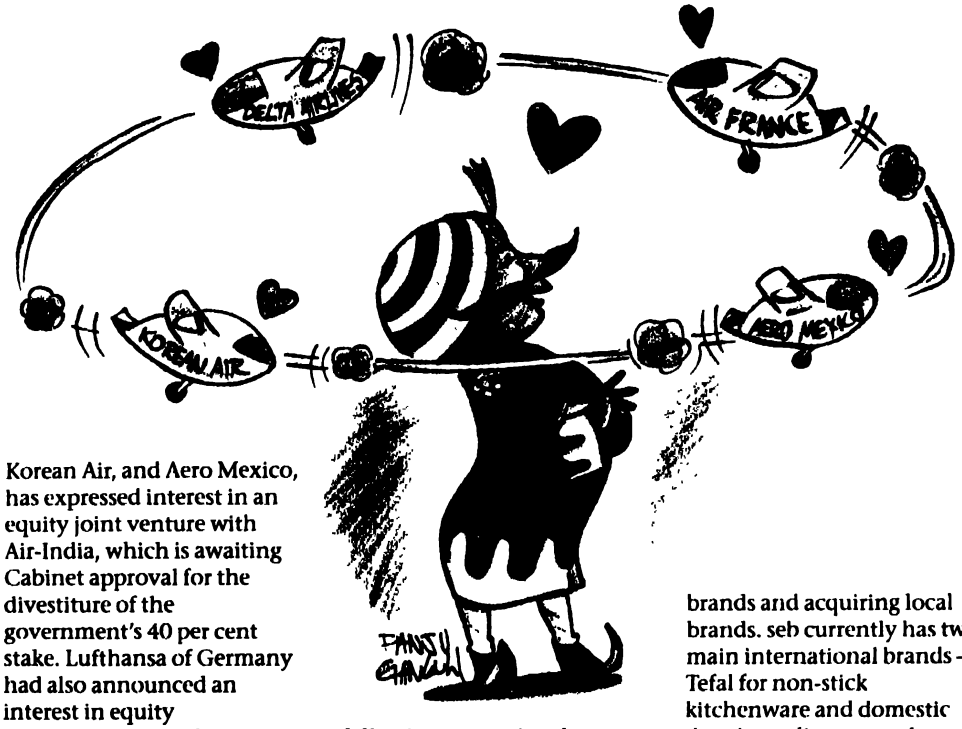
Mahindra Nahata claims that the performance of the company in the post-Sukh-Ram period is a clear indication that it was wrongly alleged that it had got its orders from DoT because of a closeness to Sukh Ram. In fact, he goes a step further. "Since we had quoted 30 per cent of what some MNCs had for some telecom equipment and won the bids openly there by breaking a cartel, we were targeted for a smear campaign. If we did not have the proper credentials, why would Reliance, Essar, Bharti, etc, give us orders?"

The figures, however, speak for themselves and seem to have been rewarded by the stock-market. "Isn't it strange that some institutions who hammered our stock down unnecessarily a few years back should queue up to buy in a bullish market?" he asks. HFCL is also busy marketing and implementing a variety of telecom technologies, including the indigenously developed corDECT. It has also been recognised as the lowest bidder for a $8-million order in Botswana for 20,000 lines based on corDECT. It is also getting into high-end optical fibre backbone equipment based on SONET ring. According to Nahata HFCL's R&D centre in Delhi is involved in several technology developments including voice-over-IP and is ready to take out some patents on its innovations. If true, the company will shed its tacky image and prove true to its name.

♦ SHIVANAND KANAVI

Competing interests in A-I

A consortium of global airlines led by Air France and including Delta Airlines, Korean Air, and Aero Mexico, has expressed interest in an equity joint venture with Air-India, which is awaiting Cabinet approval for the divestiture of the government's 40 per cent stake. Lufthansa of Germany had also announced an interest in equity participation, possibly on behalf of the global Star Alliance, of which it is a prominent member. The surge of interest in Air-India is a result of a valuation of its total assets at Rs12,000 crore and its return to the black in the first five months of the current financial year.



Bata sales to rise despite lockout

Bata, The largest footwear manufacturer in the country, recently said it would report a higher turnover during 1999 and not be affected by the eight-month closure of its Faridabad unit. According to a company release, the Faridabad unit was manufacturing only lower-end products like canvas shoes and hawai slippers. Bata India reported a turnover of Rs743.17 crore during the year ended December 1998. The Faridabad unit produces only 1.25 crore pairs of rubber and canvas footwear per annum as compared to 2.8 crore pairs of rubber and canvas footwear and 83 lakh pairs of leather footwear at the Batanagar unit in Calcutta. The Faridabad unit was reopened in October following a negotiated settlement with the workers. Bata India, which suffered a loss of Rs42 crore in 1995, shot back to profits the very next year following top-level management changes.

DLF Cement wants to sell

The promoters of DLF Cement have approached the company's FI investors for permission to sell their 42 per cent stake to Lafarge of France. The FIs have indicated that they are in favour of a takeover by Lafarge since DLF Cement has huge accumulated losses. Some sources in the industry say the shares will most likely be sold at Rs9.50 each. Lafarge has informed the FIs that, after acquiring the promoters' stake, it will make an open offer for the remaining equity held by various bodies and the public.

Tefal to expand

Tefal India Household Appliances, a wholly-owned subsidiary of $2.3 billion Groupe SEB of France, is planning to expand its operations in the country by introducing its international brands and acquiring local brands. SEB currently has two main international brands – Tefal for non-stick kitchenware and domestic electric appliances, and Rowenta for electric appliances. Tefal's soon-to-be-launched Millennium range of cookware, electrical appliances and kitchen accessories will initi ally be entirely imported. The company has been in the domestic market for almost two years now, and has three manufacturing plants near Gurgaon and Delhi.

NIIT aims to become top IT institute

NIIT has set itself a target to become the largest computer education company in the world by 2002. NIIT is among the top five computer education and training companies and among the top 12 software companies in the world now. Meanwhile, the board of directors of NIIT Ltd has approved a proposed employee stock option plan (ESOP) to be implemented in India and 30 other countries. In the first phase NIIT plans to cover about one-third of its employees by issuing options up to a maximum of 5 per cent of its current paid-up equity base of Rs38.65 crore. The board has approved the grant of stock options to eligible employees at the closing price on the stock exchange which had the highest trading volume on 22 November 1999. The company will seek shareholder approval for the plan at the annual general meeting scheduled for January.

Intel to pick up stake in Bharti firm

Intel, the world's largest processor company, is picking up a minority stake in Bharti Telesoft, the software venture of the Mittals. The US major already has a 20 per cent equity stake in Bharti Telespatiale, the group's Internet and VSAT venture. Bharti-Telespatiale, a subsidiary of Bharti Telecom, has a 51 per cent stake each in Bharti-BT Internet Ltd and Bharti VSAT Ltd. Although Bharti Telesoft officials have not revealed the extent of the stake sold to Intel, indications are that the figure should be between 10 and 20 per cent.

AHP hikes holding in Cynamid Agro

American Home Products Corp has hiked its stake in Cynamid Agro Ltd, from 39.99 per cent to 68 per cent. This was done by merging AHP's 100 per cent Indian subsidiary ACCO into Cynamid Agro. In another deal, Cynamid Agro has sold its production facilities at Atul complex in Valsad to Atul Ltd, a Gujarat-based chemicals major and a major shareholder in Cynamid. Following the merger of ACCO with Cynamid, Atul's holding in Cynamid India will come down from 26 per cent to 14 per cent. The merged identity is said to be looking at sales worth Rs200 crore in the next three years – about twice the current sales of Cynamid.

ICICI, UTI lauds FIIs

ICICI and UTI, the leading financial institutions, have lauded the role of foreign institutional investors in acting as a catalyst for reforms in the Indian capital markets. According to UTI chairman P S Subramanyam, the FIIs have facilitated better valuation of Indian corporates and this has led to Indian companies tapping overseas markets. The visibility this has resulted in for Indian corporates has helped India emerged as a favoured destination for both foreign direct as well as portfolio investment. According to K V Kamath, managing director and CEO of ICICI Ltd, the FIIs have encouraged reforms within his organisation in the past three years. "Since the time we came out with our GDR issue we have pushed us towards adopting global benchmarks," he added.

US IT major eyeing local companies



Electronic Data Systems, the $17-billion IT service company, is eyeing acquisition of Indian companies in the field of IT services, applications, and niche products by end 2000 as part of the US company's expansion plans in the country. It is also planning to set up a development centre in Pune in addition to the one in Chennai, which currently houses 250 professionals, expected to increase by four times by the end of next year.

Indian Rayon shelves buyback plan

Indian Rayon, an Aditya Birla group company, has decided to shelve its second share buyback programme. The company's board, which met recently, cited poor response to its first offer as the reason for the move. According to a company source, the board advised the management to present a new growth strategy by January 2000 instead. The board will take a decision on the report later. The move has been necessitated due to substantial cash surplus that the company has deployed in financial investments. Indian Rayon had set aside an estimated Rs200 crore for the buyback offers. As its recently concluded buyback offer, only 11 per cent of its outstanding shares were offered by shareholders against the maximum 25 per cent intended to be bought. As a result of the poor response the company was left with a substantial cash surplus.



LICHFL introduces consumer loans

LIC Housing Finance Ltd (LICHFL) has launched three new schemes to mark its entry into the consumer loans segment The Sampurna Griha-A scheme will allow fresh borrowers of housing loans to avail of an additional loan to buying computers, TVs, washing machines, etc, on the same terms and conditions as the housing loan itself The additional loan amount has ben capped at 5 per cent of the accompanying property loan While the minimum additional loan has been fixed at Rs25 000, the maximum is Rs2 lakh Sampurna Griha B will provide loans for LICHFL's existing housing loan borrowers to buy new consumer durables The third one Apna Chikitsalaya, offers loans to practising doctors for construction/ purchase/ repair/ construction of nursing homes, clinics and diagnostic centres In entering the consumer loans area, LICHFL is trying to keep in step with HDFC which recently announced its consumer loan schemes

State Bank to raise Rs4,000 crore

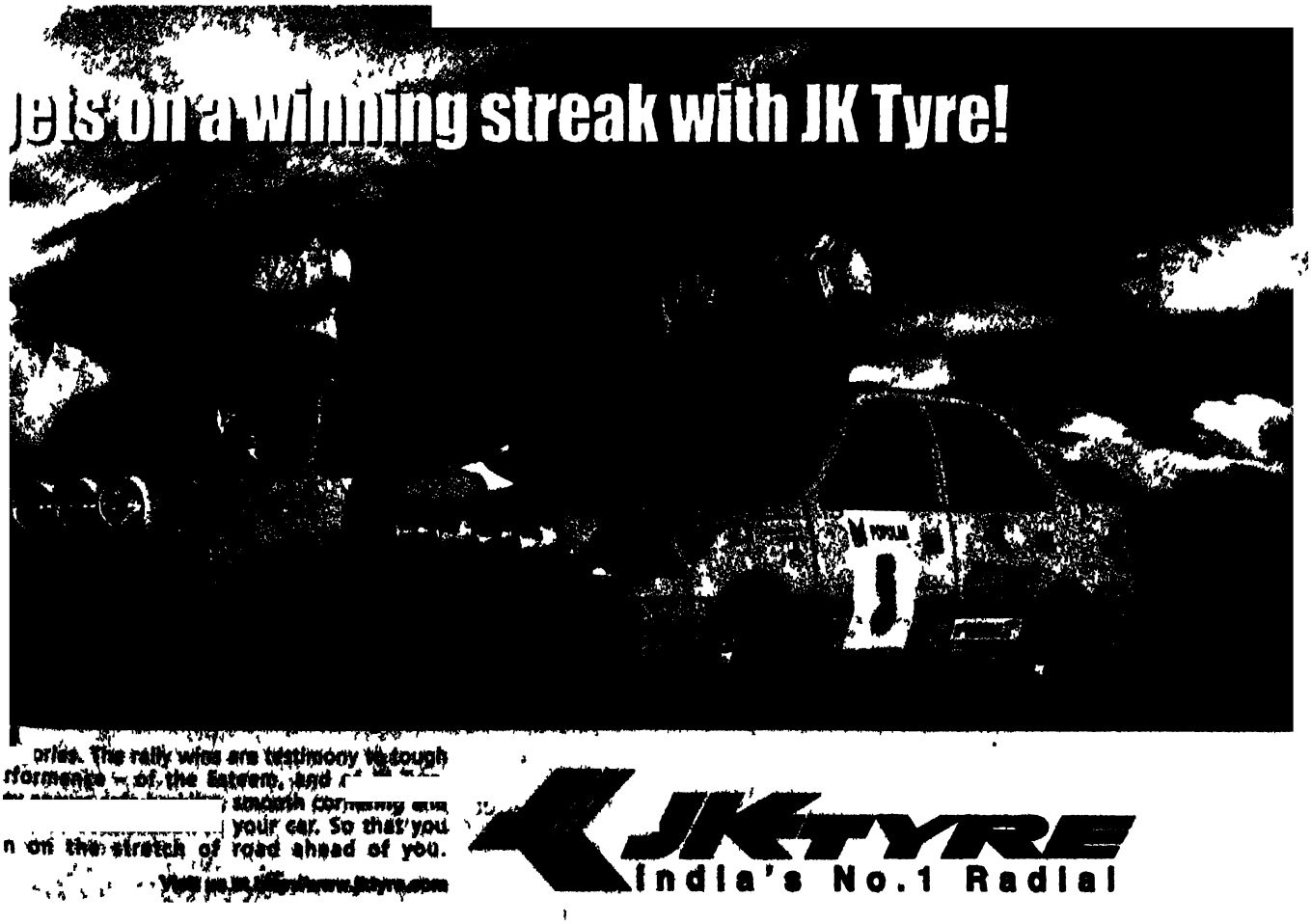
The State Bank of India (SBI) plans to mobilise around Rs4,000 crore through simultaneous domestic and overseas issues in mid 2000 However, SBI has said it will go in for a public issue only if the RBI fails to subscribe to its rights issue "We are exploring all possibilities including an overseas offering Everything will depend on whether the RBI would want to subscribe to the rights issue," says SBI chairman G G Vaidya If SBI does go in for a public issue, RBI's holding in the bank will come down to 40 per cent from the existing 59 74 per cent This would require an amendment to the SBI Act According to Vaidya, SBI would consider a rights-cum-public issue in the domestic market if the RBI agrees to infuse more capital into the bank

NRI inflows slow during April-August

NRI investments remained sluggish during the first five months of the current financial year compared to the same period last year At $13 million, NRI inflows during April August this year are only a third of the $42 million in the corresponding period last year This slump is despite the various incentives being offered by the government including the Person of Indian Origin (PIO) card which entitles an NRI to a range of tax benefits Since they reached a peak of $715 million during 1995 96, NRI investments have been falling rapidly In 1998 99 these investments dipped to $62 million, less than one tenth of the 1995 96 figures However, even as NRI investments are falling, deposits in NRI accounts have remained stable

CA in joint venture with Pentafour

The third-largest software corporation in the world with revenues of $5 3 billion, Computer Associates has announced a 51 49 joint venture with Pentafour Software to develop and market accounting software in India The venture will leverage on Computer Associates' technology of ACCPAC International, a business unit of CA's interBiz division According to CA this joint venture is part of its $100 million five year investment plan for India out of which around $40 million has been already funnelled in The new venture is the third of its kind in India for CA and follows the tie up forged with TCG software and Escorts for developing core software products for the telecommunications and healthcare segments





Eight leading professionals who successfully launched brands like Louis Phillippe, Van Heusen, Peter England, etc. got together and launched their own garment company called Indus League Clothing Ltd in April '99. Sriram Srinivasan (MD, Indus League), Fazle Naqvi, Uday Kumar, K.K. Pant and four others left their jobs in Madura Garments (a division of Coats India Ltd) to form their own company which is out to redefine the clothing industry. "Our company is the first in our industry to be financed by a venture capital firm, namely Draper International of San Francisco," says Srinivasan. The initial investment in the project is Rs15 crore and all garments will be outsourced from high quality manufacturers from all over the world. Indus League had a global launch of its three brands — Indigo Nation, Scullers and Ironwood at Pune recently. "We definitely want to be among the top three garment companies in India in the next two to three years," says Fazle Naqvi (GM, Indus League). Both are confident of success because their team already has the necessary track record in building successful brands in the clothing industry. •

Fisher-Price, the world's leading brand in infant and preschool developmental toys, announced plans for India recently. Fisher-Price entered the Indian market with a soft launch two months ago by test-marketing a few selected items, and wants to bring in its complete range of toys and accessories. "India is very important for us at Mattel, which is why we formalised the 100 per cent subsidiary. Having had such a successful soft launch we are now very excited at the prospect of launching the full Fisher-Price range in India. We hope to give the Indian mothers the same satisfaction that mothers worldwide have been experiencing with our products," said senior vice-president (international marketing) **Kevin Curran**. Fisher-Price is the umbrella brand that encompasses all Mattel's infant and preschool product lines. •



Not to miss out on the retail action, Bank of Nova Scotia recently opened a retail arm in the form of

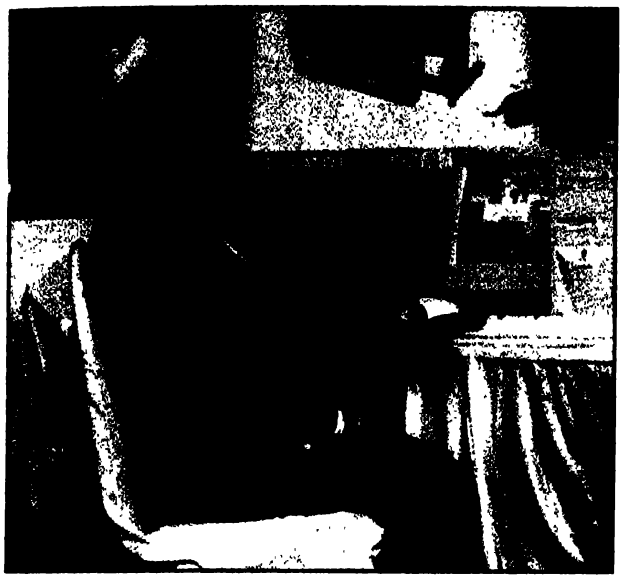


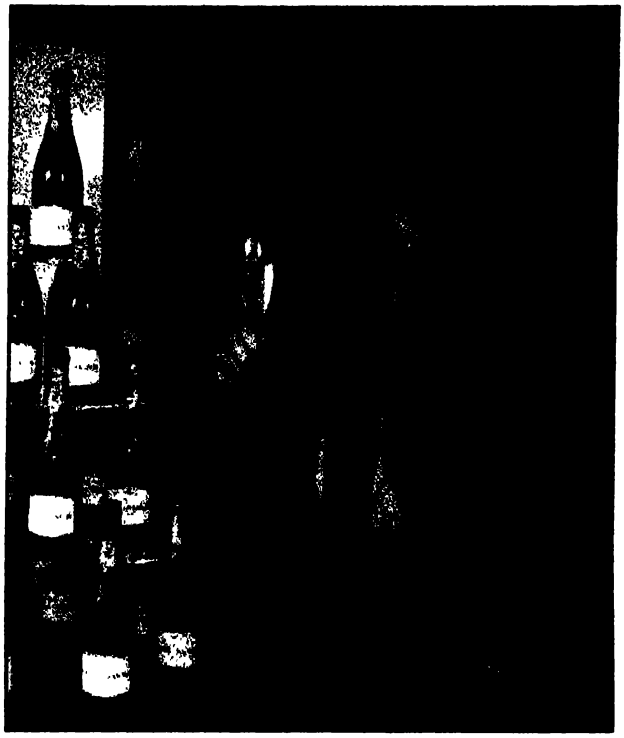
Scotia Finance, a 75:25 joint venture with Ardee Finvest, a Delhi-based company engaged in real estate development. The need for an Indian partner was because of an RBI restriction on the number of branches a foreign bank can operate through. "The partner has been associated with us for a while and has never missed an opportunity to steer us to an opportunity," says **Frank Touchie**, managing director of the Scotia Finance. He plans to be part of "the largest and fastest growing retail market in the world" by offering retail financial services. With so many players around, how does Touchie propose to stand out in the crowd? "ScotiaBank has been ranked number one in customer services for the past 10 years in Canada and we will continue with that tradition in India," he says. According to him, loans would not be against assets but according to the quality of the borrower: "A loan well made is a loan half paid." •

Transitions Optical, the leading manufacturer of polymer photochromatic lenses, has launched Transitions 111 in India. The lenses are clear indoors and change to a comfortable dark colour outdoors. Moreover, they afford protection against UV A and UV B rays and are available in two tints — grey and brown. The product was launched by managing director (Asia/Pacific) **Brett Craig**. "We are committed to serious research and development to offer our best to our customers," said Craig. Transitions Optical, headquartered in Pinellas Park, Florida, is the world's leading manufacturer of polymer photochromic ophthalmic lenses. It is among the fastest-growing technology companies and employs more than 900 people worldwide. The company was incorporated in



1990 and has manufacturing operations in Pinellas Park, Tuam, Manila, and Adelaide. •



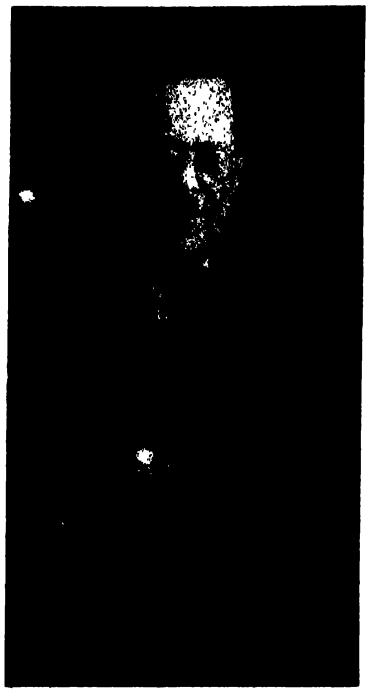


Always in a strong position in the dot-matrix market, Epson India is now moving towards launching its large-format printing machines. Senior country manager (India operations) **Paramjit Singh Puri** recently launched the Epson Stylus Pro 9000, the latest innovation from the Epson family's professional graphics arts products. With its 1440x720 dpi resolution, six-colour QuickDry Ink and Micro piezo DX3 printhead technology, the Stylus Pro 9000 is all set to redefine the Indian large-format printing industry. It's a product designed to cater for the requirements of the professional graphic arts community in terms of image quality, productivity, and media versatility. Priced at a hefty Rs10,50,000, users can look forward to true photo reproduction quality with laser-sharp text and line-art. The company has plans to launch its digital cameras shortly in conjunction with ambitious plans to become the number one total printing and solution vendor in the country. Adds Puri, "Epson India plans to become a 100 per cent subsidiary of the Japanese conglomerate and adopt a more aggressive position in the printer market through specific programmes." •

In a major whiskey-drinking market, the world's most renowned champagne house Moët & Chandon is making an effort to make its product more visible and more accessible. "There is already an understanding of champagne; there is a demand for it as well, and more people have started drinking wine. All these factors work in our benefit," says **Jiles Halling**, area manager (Asia), for the world's most renowned champagne house. Halling is targeting women customers. To make the product more accessible and affordable, it is available by the glass in most leading hotels in New Delhi. "This way at least the people can try the champagne," he says. For now India is a growing market, thanks to the Asian debacle that left India as a robust economy compared to the other Asian economies. Halling hopes it will continue to grow. •

Zenith Computers Limited recently launched the Zenith Corporate notebook, the first 'global roaming' notebook computer in the world. The Zenith Corporate Notebook is targeted at the growing community of globally competitive Indian professionals. Announcing the launch, chairman and managing director **Raj Saraf** said, "There has always been a need for affordable, reliable, powerful, and versatile mobile computing products, especially in a developing country like India." A unique feature of Zenith Corporate Notebook is its ability to access the Internet from all major business cities in 150 countries around the world, just for the cost of a local telephone call. The company has forged a strategic alliance with Videsh Sanchar Nigam Limited to offer the global Internet roaming service. In order to stay connected anywhere, any time in the world through a variety of Internet/e-mail services, there is no need for multiple Internet accounts with different international Internet service providers. Zenith supplies a VSNL account with single user name and password. •





Last fortnight Norman Vale, director-general of the International Advertising Association (IAA), was in Mumbai to meet the various chapters of the International Advertising Association of India and to share with them what's happening globally and within the other chapters. Some of the issues discussed were taxes on advertising, advertising for children as consumers, and any and all restrictions on advertising products and sponsorships, and the explosive area of e-commerce and what they are doing to counter this new form of competition. "No one could anticipate how the Internet could grow into to such a huge dimension," says Norman Vale. "In fact, this is the first time that a new medium has had such an impact on the traditional advertising medium and is being used to sell consumer products," he adds. In fact, gearing up for the new business scenario, the IAA will be hosting a conference sometime next year to project India's developing role in South Asia. •

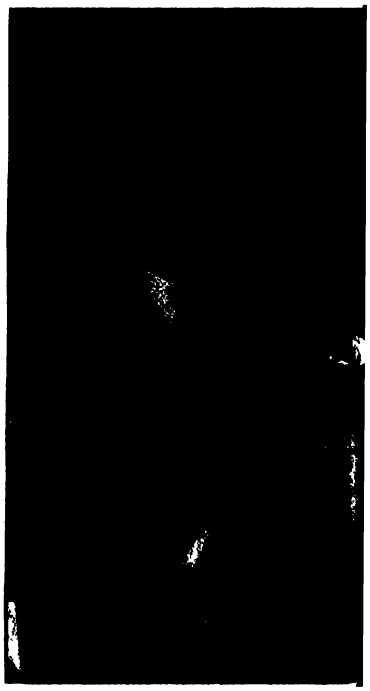


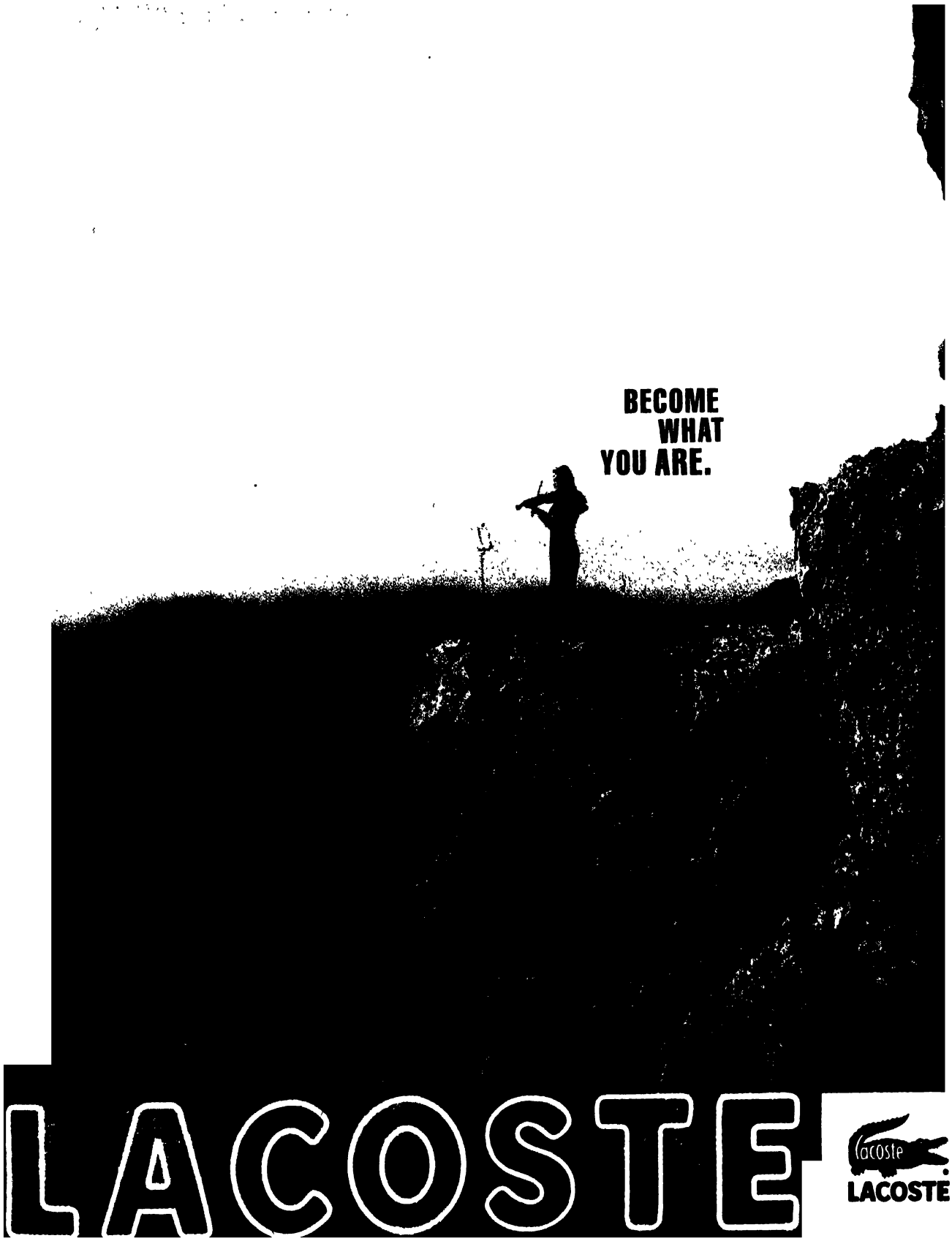
Providence Corporate Advisory and Merchant International Group, UK, jointly held a conference – the first of its kind – on international risk management. *The lure of International Markets -- Have we accounted for the underlying risks?* was inaugurated by British high commissioner Michael Bates, while S.S. Tarapore delivered the keynote address. The conference addressed issues impacting international business risks from the critical perspective of the Indian corporate manager and banker. The speakers sought to enable delegates to sharpen their skills in identifying, assessing, and managing project critical global risks through the special participation by MIG, a strategic research and corporate intelligence organisation specialising in in-country risk consultancy. Speaking at the conference, MIG managing director Paul Brown said, "The case studies we presented at the conference in Mumbai graphically illustrate the impact of factors normally never planned for or seen till too late." •

Allen Rosenshine, chairman and CEO of BBDO worldwide, one of the largest advertising agencies in the world, was in India recently to deliver the keynote address at CII's Brand Summit. He also announced BBDO's decision to increase its shareholding to 51 per cent in its Indian joint venture RK Swamy/BBDO. "This will help us use what we are doing globally as a model. With our increasing involvement we will be serving more and more MNC clients. It's not a question of control or who is the boss," he says. Rosenshine sees globalisation as the major driving force in business. He also sees India as one of the few markets in the next decade which can look for growth. Commenting on the recent megamergers of advertising agencies in the US, he explains: "You don't merge for fun. Midsize agencies have no future in the developed market. Those in the high end of the line have different problems. So they find comparable partners and merge and hope to grow from there." Will the Internet eliminate conventional advertising? Rosenshine doesn't think so. "The convergence will take place when Internet and television are no longer different media. Technological convergence will lead to creative convergence," he says. •



Last fortnight PolyGram India saw its name change for the umpteenth time. What started out as Polydor India in the 1970s has over the years changed to Music India to PolyGram to Universal Music. The successor of the second international music company in India today has one of the country's largest catalogues of local music and leads in the international repertoire with a share of over 27 per cent. "It's only when you gain 100 per cent control of your destiny that you start involving yourself actively in the artistic environment of your host country that you become a serious player in your host community," says Jorgen Larsen, chairman and CEO of Universal Music International. The emphasis is on developing local talent that can be successfully marketed and promoted both locally and internationally. "The creativity and adaptability of local Indian artistes are such that we see our primary mission as the search for and development of talented local artistes, both for the local and international markets," he adds. And so, just as we recently witnessed the global popularity of Latin music, Indian music could be the next big thing. •



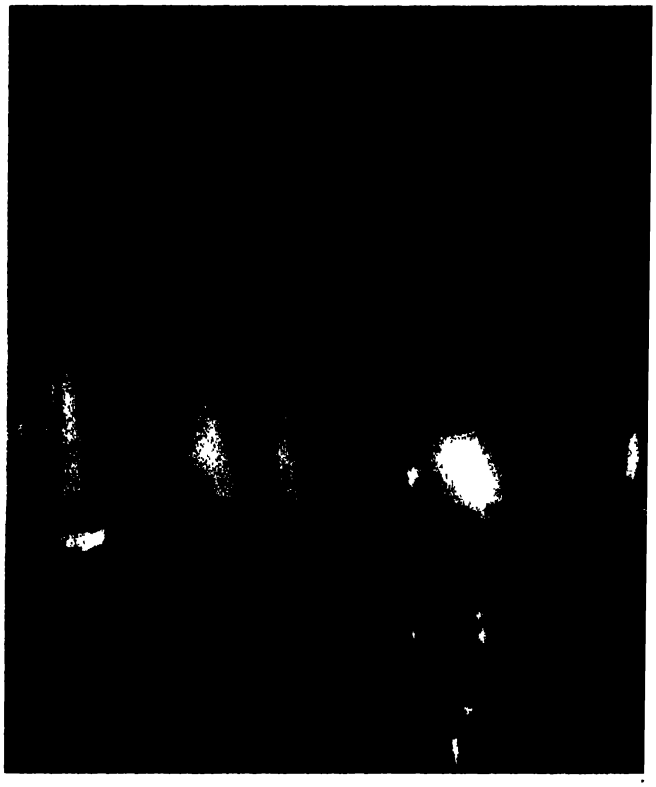


AGRA: Fatehabad Road. BANGALORE: Commercial Street Entrance, Ifollo, KGA Golf Course. CALCUTTA. Shakespeare Sarani. CHANDIGARH: Sector-17 C. CHENNAI: Nungambakkam High Road, Pondy Bazaar. COCHIN: The Esplanade. GOA: Heritage Village Club, Ida Maria Resort-Calangute, M.G. Road-Panjim. HYDERABAD: Banjara Hills. JAIPUR: M.I. Road. MUMBAI: Colaba Causeway, Crossroads, Linking Road, The Oberoi Shopping Arcade, Vama. NEEMRANA: Neemrana Fort Palace. NEW DELHI: Ansal Plaza, Connaught Place, GK-1, Hyatt Regency, Karol Bagh, Radisson, Santushti, South Extn.-1. PONDICHERRY: J.N. Street. PUNE: Bund Garden Road. SURAT: Holiday Inn.

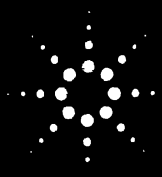
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Agilent Technologies

Making waves

India's first international marine exhibition makes a splash



Cummins is the market leader in marine diesels

The Who's Who of the marine business world is here, says a proud Yogesh Srinivasan, chief executive officer of the INMEX secretariat. He's not exaggerating. INMEX'99, the first India International Maritime Expo at Panaji in Goa last month, boasted participation by a galaxy of 152 companies and institutions from India and 23 other countries.

They were all there – the Academy of Maritime Education & Training, Chennai, Beacon Finland Oy, the Hong-Kong-based Eurasia group of shipping services companies and China's Shanghai Zhenua Port Machinery Co, Usha Martin Industries of Calcutta, and Wärtsilä NSD India, Mumbai. Besides China, Finland, and Hong Kong, companies from Australia, Belgium, Denmark, France, and Germany also had their own stalls; other foreign companies' Indian agents took the tally of participants from abroad to 32.

"Sixty to 70 per cent are manufacturers, the rest are dealers," explains Srinivasan. "Many more have sent their representatives as observers, who will recommend that their companies participate in the next INMEX in Mumbai in November 2002." Srinivasan – who has gone into partnership with Bangalore-based event management, design, and construction company Pradeep Deviah & Associates to set up the INMEX secretariat – says he spent nearly Rs2 crore on the expo. "We might scrape through, or lose some money this time," he says. "But this is a business with a two-year time frame."

Participants agree that, barring minor glitches like poor air-conditioning in one of the three 'halls' covering 10,000 square metres on Panaji's Campal sports ground, the facilities are comparable with those at most such international events. Around 3,500 serious business visitors generated inquiries worth nearly Rs200 crore over the five-day period, of which around Rs40 crore worth is expected to be converted into actual orders. Some visitors liked what they saw so much that they placed firm orders or even bought on the spot. Coimbatore-based Praga Marine, for instance, sold the speedboats it was showing to the Coast Guard.

"We too received a lot of inquiries, but about 75 per cent of them would have come to us anyway in one or two months," says J.L. Deshmukh, managing director of Rs700-crore Cummins India Ltd (CIL), which had one of the biggest stalls at the show, displaying its heavy-duty 20-tonne tug engine. "But this is a good opportunity for us to meet, and interact with, our marine clients as well as well as potential customers. Pune-based CIL, which makes its own marine propulsion engines and generating sets as well as 'marinising' engines manufactured by sister company Tata Cummins at Jamshedpur, claims a major market-share in the Indian marine industry. With an engine portfolio catering for all major commercial and defence needs, Cummins has more than 2,000 engines powering tugs, launches, barges, work boats, and other vessels plying all along the Indian coast and inland waterways.

Competitor Caterpillar was, naturally, there too. And though Deshmukh dismisses Cat engines as being too expensive, Gmmco Ltd – their authorised dealer for south, west, and central India – claims an impressive client list including the Kandla Port Trust, which recently bought ten 1,700-horsepower engines, and the Ennore Coal Port, which has taken six of 2,500 hp. "We have a population of close to 400 engines in marine applications, mostly in the 1,000–2,500hp range," says Gmmco marketing manager Milind S. Warke. "We are also getting replacement business from customers like Vikram Shipping, whose medium-range Cummins Wärtsilä engines have failed." Nevertheless, it is Cummins that has supplied the gensets for the expo.

Foreign exhibitors like China's $250-million Shandong Machinery Import & Export Group Corporation and the Holland-headquartered Heinen & Hopman Engineering BV are looking at growing their India business. "We handle propellers, wrecking equipment, and all other machinery manufactured in Shandong province," says the Chinese company's deputy manager Zhu Hong. "There are good prospects in India." Namrata Malik, Indian representative of the Dutch air-conditioning firm, adds: "This expo is a venue for us to meet smaller boat manufac-

turers here. The big ones already know us — H&H is a 30-year-old company and has outfitted more than 5,000 ships worldwide." France Télécom, Iridium India, and a host of companies in every area including equipment for diving, fire-fighting, testing, and life-saving; special personal clothing; ropes and nets; and even weapons, from the defence ministry's Naval Science and Technological Laboratory, contributed to the attractions at the expo.

INMEX'99 may have been only a small ripple, but Srinivasan and his team seem set to see it widening into international waters.

•SEKHAR SESHAN

COAL INDIA LIMITED

Revised targets

Faced with steady slippage in production and despatch targets, Coal India Ltd (CIL) recently revised its Ninth Plan projections. At a high-level meeting the monopoly coal producer pegged its production target at 278 million tonnes (mt) by the end of the Plan in 2001–02 (it was initially an ambitious 303 mt).

Marketing director S.M. Sharma makes no secret of CIL's difficulties achieving coal despatch targets in recent months. "In the first six months of the current year we have run short of our growth target of 3.3 per cent," he says. Between April and September CIL despatched 145.5 mt. But this is a marginal growth over last year's actual despatch of 143.6 mt.

Senior CIL officials attribute this slippage to slowing offtake by the power houses hit as they are with a terrible resources crunch. "Unable to generate enough money for fresh coal procurement, they have liquidated 3 mt of coal stocks during the first month of the current year. Their stocks, which stood at 12.8 mt on 1 April 1999, were down to 9.9 mt on 1 September 1999.

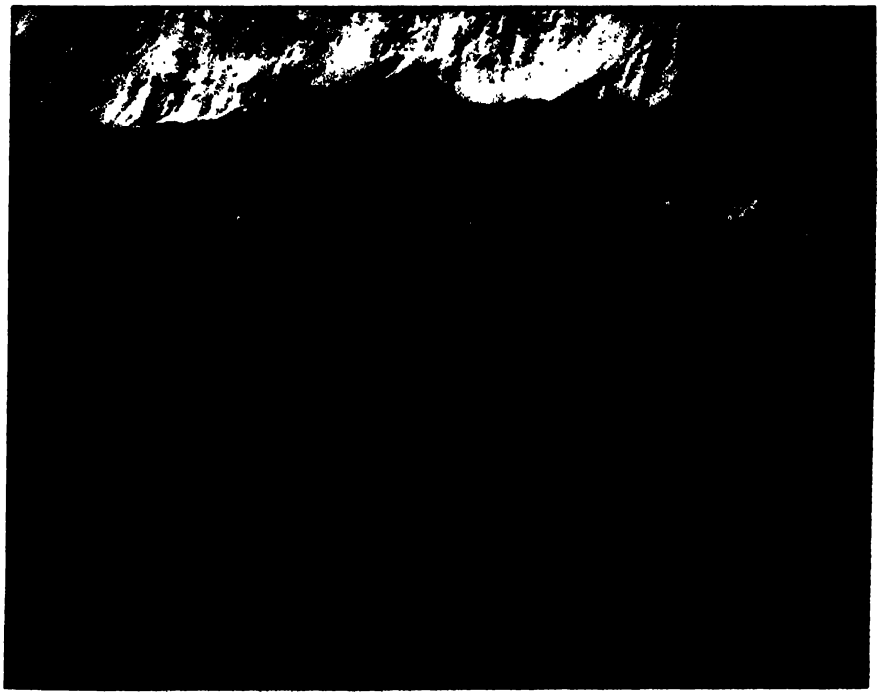
Under the norms, a thermal power plant in India is supposed to maintain enough in reserve for 30 days. For pithead plants the requirement is less – 15 days. "But now, with 3 mt of stock liquidation, the stocks are down to hardly enough to meet 15–20 days' requirement," a senior CIL official claims. To put this in perspective, he adds that a standard 210 MW thermal power plant burns 2,400 tonnes of coal per day.

Depressed demand from the power sector has been extremely upsetting for CIL, which for years has counted this as its main customer. Sharma admits that in the past CIL had to some extent neglected some other sectors because it accorded priority to power. "This has cost us the rural coal demand in northern states like Punjab and Uttar Pradesh, and also in the south, where people developed biogas as a strong substitute for scarce coal."

According to Sharma CIL is now seriously thinking of various ways and means to re-enter some of these markets. But the latest trend in domestic coal prices worries him a great deal. "The pithead price of $10 for a tonne of power-grade coal in India works out to cheapest in the world. But what's the use if the exorbitant freight cost, which varies between $20 and $25 per tonne, makes it dearer at the consumers' end?" he argues. Abroad the pithead coal price works out to much higher – around $15 per tonne – but is free of a host of other cesses or royalties added on in India. The freight cost too is much less.

What can make things even more difficult for CIL is the emergence of private producers. And maybe a small beginning is already there in West Bengal, where Bengal Emta, a joint venture coal company between S. Upadhyay and the West Bengal State Electricity Board in West Bengal's Raniganj area, has taken away a major share of that regional market from CIL. The project reportedly enjoys the blessings of some of the state's political bigwigs.

•KAVERI MITTRA



CIL's prospects are beginning to acquire the colour of the mineral it mines

MAHARASHTRA

Delayed miracle

Distraught at the financial ruin the previous government has left the state in, Maharashtra's new chief minister Vilasrao Deshmukh is keen on luring back industrial investment that has of late been lost to other more competitive states. He says he is willing to roll out the "red carpet" for investors, defining his administration's priority segments as informa-



Kalantri, Deshmukh, and Kadam discuss Maharashtra's industrial scenario

tion technology, petrochemicals, pharmaceuticals, biotechnology, gems and jewellery, automobiles, auto components, and, of course, the services sector.

"I wish to create a conducive atmosphere where the problems of industry can be resolved and thereby restore the primacy of Maharashtra," he declared at a seminar *New Millennium Investment Opportunities in Maharashtra*. Organised by the All-India Association of Industries (AIAI), the seminar was a good occasion for a cross-section of Mumbai's industrialists to buttonhole Deshmukh with the diverse difficulties they face, ranging from excessive sales tax to an unresponsive bureaucracy. The chief minister was, however, quick to point out that he had not come with any solutions as he intended to study the situation first before embarking on any plans. "I don't believe in false promises, but rather in concrete action," he maintained. "Besides, I have been out of touch with politics for the past 4 – years, when I was not a legislator."

AIAI president Vijay Kalantri, who also happens to be the treasurer of the Maharashtra Pradesh Congress Committee and thereby Deshmukh's party colleague, said the government had the onerous task of translating the prophecy that Maharashtra was an economic miracle waiting to happen. "A set of initiatives is needed to reposition Maharashtra, which lost some of its glory during the tenure of the previous regime owing to rising extortion, crimes, and lawlessness, coupled with high taxes, aberrations, and administrative lapses," he charged. "The rhetoric regarding Maharashtra's number one position in economic development has sadly remained only on paper with grandiose schemes like redevelopment of slums gathering dust on Mantralay shelves."

On cue, Deshmukh expressed regret that the International Business School was snapped up for Hyderabad by the eager Andhra Pradesh regime of N. Chandrababu Naidu when it was lost to Mumbai owing to stonewalling by the saffron coalition. "If our government had been in power then, this would never have happened," he intoned, adding, "But that doesn't mean there is no scope for another such academy and, if we receive a proposal, we will ensure that the project materialises with our unstinting support."

Indian Merchants' Chamber (IMC) president Pradeep Chinai despaired of the *ad hoc* tax increases that had become the norm in Maharashtra which were scaring industries away to other states. "Previous governments thought that increasing taxes was the best way of raising revenue, forgetting the fact that this not only deterred investment but induced tax-evasion," he pointed out. Ind-Asia CEO Pradeep Shah suggested that the government realise that the services sector was the business of the future and accordingly shift its focus to seeking investments in this crucial segment rather than in the industrial sector. This would give a fillip not only to the knowledge industry but also to such vital segments as education, tourism, hospitality, and allied services. V.K. Mittal of the Ispat Group and Pravin Pandya, chairman of the Gems and Jewellery Export Promotion Council, also had their say.

The chief minister, who was accompanied by his industries minister Patangrao Kadam, proposed to set up a task force that would liaise with industry representatives on a sustained basis. "It's time the government recognised the fact that entrepreneurs and industrialists are at work in Maharashtra to develop the state, which in effect means they are doing the government's job," Deshmukh reasoned. Recalling the two-day Indo-US Progressive Summit that concluded in Mumbai the previous day and the effusiveness with which American and Indian American delegates had regarded Maharashtra as a significant investment destination, he declared that investor response was very much alive.

Kalantri quoted a recent survey covering 118 US companies that predicted that Maharashtra would attract 56.5 per cent or more than half the projected $4.6 billion these companies proposed to invest in India. He estimated revenue from software and IT to skyrocket to Rs200,000 crore by next year, the state accounting for around half of India's Internet users and nearly a third of software exports. As of July this year the state boasted of 36 new projects exceeding investment of Rs1,000 crore each and totalling Rs99,684 crore. Foreign direct investment approved till March totalled $5.5 billion, he added.

The chief minister also heeded Kalantri's regret that, despite Mumbai's stature as India's financial and commercial capital, it had neither an exhibition nor a convention centre. "We will consider this aspect seriously and will ensure regular interaction with industrialists to ascertain their views on promoting the interests of the state," he assured the gathering.

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EDUCATION ABROAD

Destination UK



There's been a remarkable resurgence of interest in British degrees

It's being sold as the education destination for the next millennium. And it's not the US, which has over the last 20 years or so been the place for almost every Indian student looking for a foreign degree. Opening its doors once again and inviting foreign students to check out its universities now is Britain.

"Britain shut its doors to foreign students in the 1970s, which is when the US became their favourite destination. However, the Thatcher government then as well as the present Labour government made it clear to the universities that they would not be given any more lavish subsidies, that they would have to fend for themselves," says Sunita Kriplani, head of the British Council Education Counselling Service. So that explains British universities' eastward glance, for Asia is seen as one of the largest markets to sell education.

Helping Britain sell its universities in the Asian market in a big way are the British education fairs. Held every year – at some places more than once a year – at various important cities, these fairs give prospective students the lowdown on British education. Take the two-day fair in Mumbai last fortnight. Representatives from 57 British institutions came down to offer information about their courses; they also offered free counselling to students and held a series of seminars to give students a better idea of the course features. After Mumbai the fair will move on to Ahmedabad, Pune, and Delhi; the fair tours the South every February.

So how will British institutions make up for lost time? And how will they wean away a generation of yuppies who swear by their Gap khakis and their degrees from the US of A? Admittedly a tough task, and the UK government has risen to the occasion by announcing a slew of measures to make a British degree more attractive. Visa clearance, for example, has been made much easier. According to Kriplani, visa refusals for students is as low as 5–6 per cent for the UK, whereas the US has a much higher rate of 40–50 per cent. Another important decision makes it easier for foreign students to work even as they study.

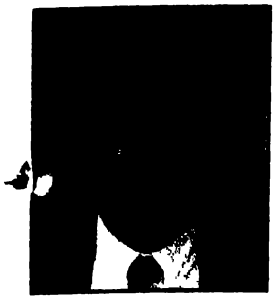
Says Kriplani, "Over the last couple of years or so there has been tremendous response to the fair." And some good seems to have come of it too, for more Indian students are going to the UK now than say five years ago. But how do UK institutions tackle the cost factor, especially given the prohibitive cost of a British degree *vis-à-vis* a US one? An MBA, for example, can cost you a good Rs11–12 lakh annually. Also, it's a well known fact that scholarships to British universities are few and far between.

"What makes education in the UK so expensive is the pound, which is the strongest currency," says Kriplani. "But we offer one-year postgraduate courses which can help you save on living expenses. Also, a one-year pg means you are in the job market a year earlier, and getting your on return on interest that much earlier," she reasons.

So what about those who can't shell out such fancy sums? Well, they seem to have thought of that too — by way of the distance education programmes, where British institutions tie up with Indian ones and the latter conduct the courses offered by the foreign institution. So far there are about 30 such tie-ups across India, mainly offering MBA and BBA degrees and courses in hotel management, IT, etc. Take for example the University of London, which has a tie-up with Mumbai-based South Indian Education Society (SIES). Susan Gidman, who is in charge of the external education programmes at the University of London, says: "Our courses follow the most stringent criteria for admission, so there is no way our degrees can be taken lightly. Also, though the syllabus is taught by the local institution, we conduct the exams ourselves and mark the papers too." As Kriplani says, "It's a foreign degree delivered on Indian soil." And, more importantly, it comes cheaper.

However, the Indian government, UGC, and AICTE have not yet taken a stand on such degrees. While they have yet to grant recognition, they have allowed the courses to continue. Pending a clear policy on the issue, many UK universities that were clamouring for such tie-ups about three years ago have now decided to wait and watch instead. "But, importantly, these degrees are taken very seriously by the job market," Kriplani points out, adding that an increasing number of employed people are opting for such courses. So, is it Rule Britannia, once again — at least in the international education market?

♦SANGEETA MENON



BRIJ KHINDARIA

The author is an international columnist for Business India

Dramatic and contradictory

Open friendship with China is vital for prosperity. Pakistan, however, will have to be dealt with differently

Mr Vajpayee's task of delivering more prosperity and quality of life for Indians has been made much tougher by two recent events: the generals in Pakistan who plan to rule for a long time and the rise of China to legitimacy as a world trade superpower through its deal with the US and membership of the World Trade Organisation.

That China is a formidable competitor and rival is underlined by its current experiments with manned space flights, where we are far behind. It is also underlined by the arrival of its cash-rich state-owned electronic products companies in India, whereas we have almost no presence in China. Our domestic manufacturers survived the onslaught of Western entrants into our markets because several of them did not make products suited for Indian conditions and the tastes of Indian consumers. They were also too expensive to really take off in India. But Chinese products are different. They are robust and cheap, while being technically equal to those from Japan and Korea.

Why has China moved so far ahead of India in spite of its stagnant political system dominated by old men? Because Chinese politics is a war between various factions within its ruling Communist party conducted out of the public eye. That is unlike India, where politics is a rough-and-tumble affair conducted mainly to obstruct any and all governments from providing effective governance and economic and trade policies.

Faced with the Chinese juggernaut, we cannot suddenly change our political culture and our creaking democracy that allows advances only at snail's pace. But what we can do is mend our fences with China, quickly negotiate lower trade barriers between our two countries, and turn the "Hindi-Chini bhai-bhai" slogan into more of a living reality. We have more to gain from China than to lose to it. Chinese products are more affordable for our rural and small-town consumers than Western goods and relations with China will be more predictable than those with the Western democracies. Our consumers will benefit from Chinese-made products.

China is feared in America and Europe as a potential military opponent, so it really needs a friend in Asia. Its gratitude to India will be sincere if we behave honestly with it, settle our differences, and get access to China's vast markets for our relatively low-tech mass products. The average per capita income in China is only about $650: such people have need for what low-cost India makes and their country has the foreign exchange to pay for it. In return, China has decent products, weapons, and technologies that we need. It can become a cheaper and more reliable source for us if we are transparent and do not try to be too clever by half in our relationship with China.

Pakistan's generals are another matter. The only way to keep them at bay is to show firmness and decisiveness. Our nuclear deterrent is no use in stopping terrorist infiltration and activity in Kashmir. But India can do two things simultaneously: one, offer more trade and economic links quickly and in a massive manner; and, two, announce to Pakistan and the world that any further proxy war with India through terrorists in Kashmir will bring massive retaliation and first strike upon Pakistan.

These are dramatic and contradictory policies, but they offer several advantages. Opening India, unilaterally if necessary, in a massive way for trade with Pakistan will be a force for stability and predictability. Pakistan's people will know that they can reap huge rewards in terms of prosperity by cooling their military hostility with India. International political pressure will also become intolerable on Pakistan in response to India's sincerity and generosity. At the same time there will be a huge force for instability caused by our announcement of a massive retaliation and first strike doctrine. That will put us under great criticism and attack from the West, but Pakistan will also be under that attack. The pressure on Pakistan will become very great not to provoke India at a time when India is sincerely offering very rapid advances in economic relations to its bankrupt regime and demoralised people.

It is time to move away from endless talks about talks. Bold and unusual decisions based on thinking outside the box are necessary because without peace at its borders, India cannot achieve prosperity and without prosperity it will become a nobody compared to China. •

Slanging match

The fiscal crisis casts its shadow over the disinvestment process



Sinha tore into Chidambaram's criticism

The economic editors' conference is an annual ritual, organised by the information and broadcasting ministry's Press Information Bureau (PIB), to facilitate an interaction between the press and those politicians and bureaucrats who call the shots in framing the economic policies of the day. Over the years, it has become a rather humdrum sort of exercise, and is better known for the free lunches, dinners and cocktails that are laid out for the hacks rather than the hard copy which is produced at the end of the day. This year's event was no exception.

The atmosphere bristled only twice: once, when finance minister Yashwant Sinha was queried on the controversy surrounding the handling of GAIL global depository receipts (GDR) issue and later, when power minister P. Rangarajan Kumaramangalam was subjected to some aggressive grilling on his proposal that the National Hydel Power Corp (NHPC) be taken over by the National Thermal Power Corp (NTPC).

The groundwork for the conference — or the inaugural session involving Sinha — had been done by former finance minister P. Chidambaram, who had been in hibernation since his defeat in the Lok Sabha election. Chidambaram is getting increasingly isolated in Tamil Nadu politics even as his senior colleague, G.K. Moopanar, is mulling over the prospect of patching up with the AIADMK supremo, J. Jayalalitha, to form a joint front against the DMK-BJP alliance in the state. Chidambaram's salvo against the GAIL disinvestment made immediate headlines: it also had the prospect of rehabilitating him as an authentic critic of the Vajpayee government's economic policies on behalf of the non-BJP parties.

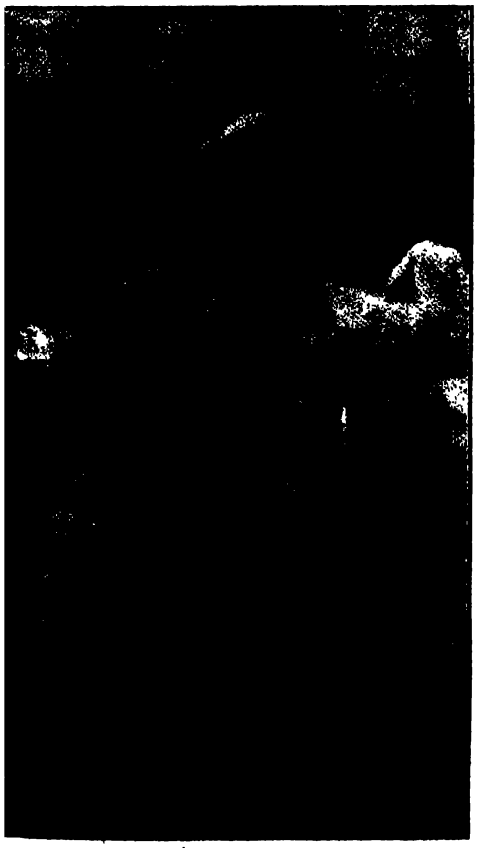
Chidambaram questioned the "compelling need" on the part of the government to sell the GAIL stock in the overseas market at Rs70 per share when the domestic price on the previous day was Rs79.80 per share. Pointing to the "distress signals" emanating from the disinvestment process, he wanted to know at what level in the government the decision to disinvest at Rs70 per share had been taken.

Sinha tore into Chidambaram's criticism and accused his predecessor of turning a blind eye to the MTNL disinvestment, carried out when the United Front government was in office. MTNL shares, according to Sinha, were riding a high of Rs315 on 17 June 1997 but the government did not disinvest at this price. By October, the price fell to Rs275. It was only on 2 December, when the Congress had withdrawn support to the Deve Gowda government and it had acquired a lameduck status, that the sale was approved at Rs235 per share. But three weeks later, the share price rose to Rs268. Sinha's argument was that no government could dictate to the market or predict what market price was the best. So Chidambaram had no business doling out sermons to the Vajpayee government on how to handle the disinvestment process. Six months ago, the government had tried to sell GAIL shares in the local market and got Rs66 per share. As for selling the shares to Enron and British Gas, perceived as GAIL's rivals in the long run, it was only because of them that the government got an offer of Rs70 per share.

Not to be outdone, Chidambaram shot back saying that the MTNL share was sold at a premium, which was not the case for the GAIL offering. He pointed out that when the roadshow for the MTNL issue was launched on 17 November 1997, the closing price on that day was Rs229. The Congress withdrew support to the UF government on 24 November and the market price touched a low of Rs213.

Nevertheless, the issue was priced on 2 December at Rs235 when the closing price was Rs232.35. The issue was priced on the basis of 10 days' average and sold at a premium of 5 per cent. The MTNL issue, he said, was described as the most tempting listing in 1997 and nobody—including the BJP—had criticised the decision.

The GAIL disinvestment controversy would have died a natural death if it was seen in isolation. But then the power minister made the dramatic announcement that NHPC was being hived off to another PSU, NTPC, for Rs4,500 crore. There was also talk of some of the smaller PSU banks being sold to the bigger ones. The obvious deduction was that this was being done to mop up the budgeted disinvestment target of Rs10,000 crore and thereby bridge the fiscal deficit. After all, the Vajpayee government in its previous *avatar* had resorted to a similar subterfuge when ONGC and Indian Oil bought into each other's shares in the garb of strategic integration. The market capitalisation of both these companies took a terrible beating because the markets saw the cross-holdings exercise as a means of milking the PSUs. Also, alert institutional investors prevented another incestuous relationship of this kind from being attempted between VSNL and MTNL.



G.V. Ramakrishna may not have a role left

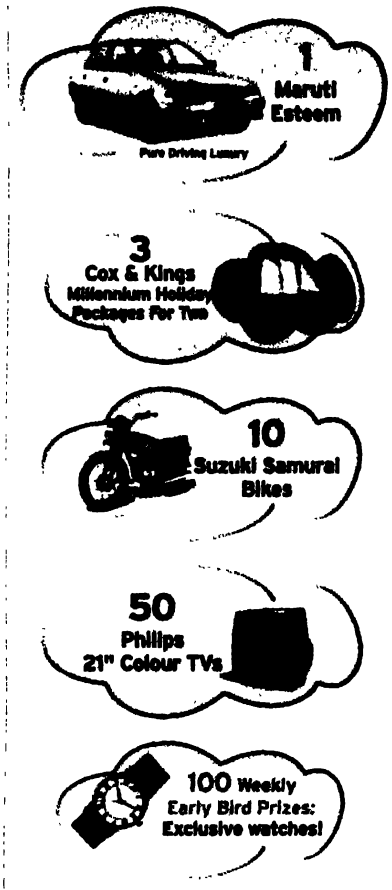
Neither Sinha nor any authoritative spokesman of the government has chosen to answer the query whether NTPC's takeover of the NHPC amounts to genuine disinvestment. Obviously, the compulsions of the widening fiscal gap is too overpowering to even permit an open debate.

Interestingly, all this has happened at a time when the term of the disinvestment commission, headed by G.V. Ramakrishna, was about to come to an end. With Ramakrishna, economist Suresh Tendulkar and former SBI chief Dipankar Basu putting in their resignation papers when the BJP government assumed office in October, the commission was in a pathetic state. In any case, the commission had been left virtually toothless and even stripped off the power to advise the government on how to conduct the disinvestment process by the UF government way back in March 1998.

Senior officials admitted that given its present form and structure, the commission "was neither here nor there and this does not help". Indeed, so compelling was the need to take a fresh look at the disinvestment process that the government in the middle of October set up a cabinet committee on disinvestment. It would also spell out a clear timetable on privatisation and decide the pricing of any offering of government equity in PSUs. Apart from the prime minister and the finance minister, the committee had industry minister Murasoli Maran and minister for heavy industry/public sector enterprises Manohar Joshi as its members.

In a flurry of brainstorming sessions held at the highest levels of the government, several proposals were tossed up some rejected outright. One idea was that the PMO should oversee the disinvestment process to put its stamp of authority on the process: this was rejected on the ground that the PMO should be insulated against any political controversy.

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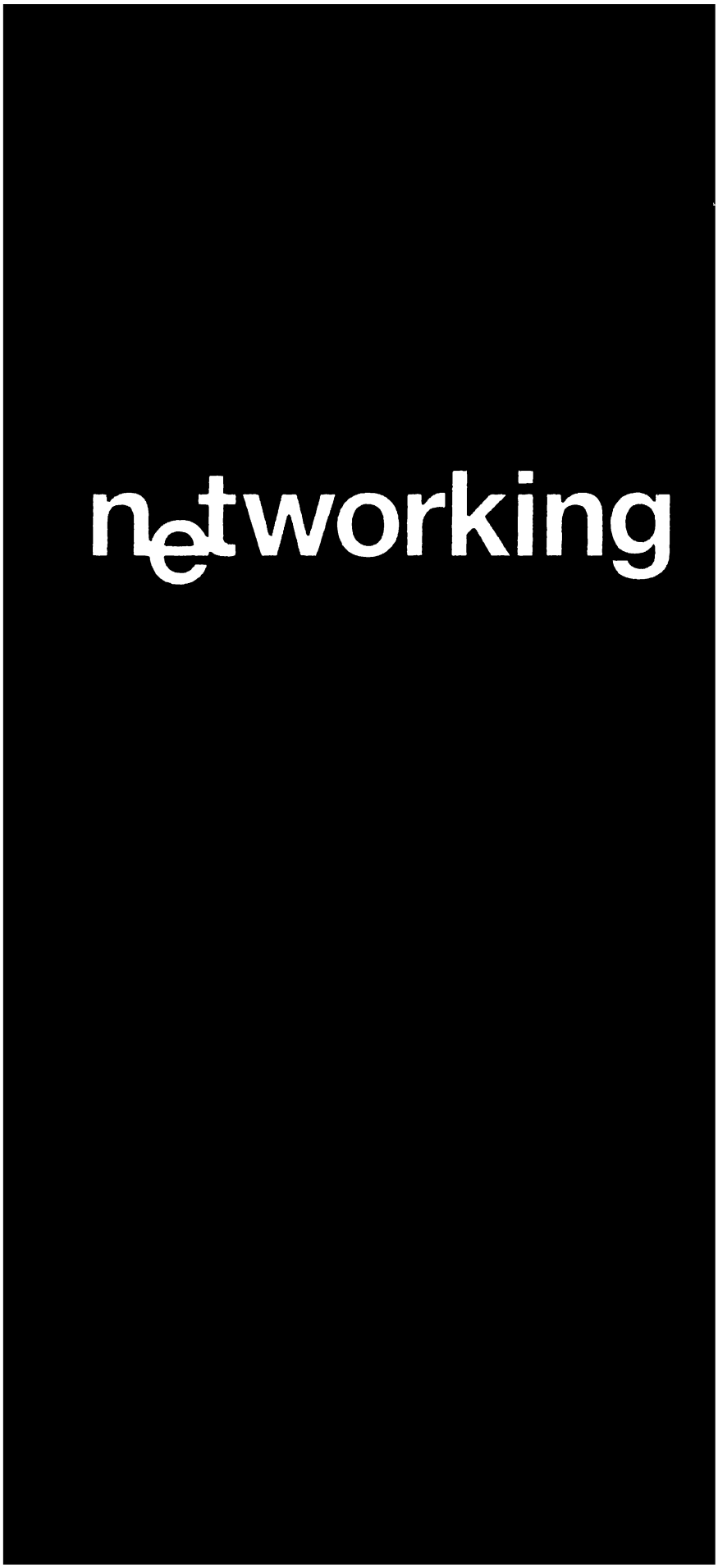
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†Terms and conditions apply.

All that glitters is not gold

It is a pleasant irony that the man who pledged Indian's gold to fend off an imminent balance of payments crisis in 1991 should now conceive a scheme to boost the country's gold reserves. Finance minister Yashwant Sinha's budget announcement of a gold deposit scheme, which was flagged off by the State Bank of India last fortnight, has a laudatory objective: save the country around Rs5,000 crore of precious foreign exchange by way of lessening the need for gold imports. While nobody would normally question this facet of the scheme, it is the mindset of the potential depositors about gold, particularly gold jewellery, which has set of a chain of doubts about the practicality of the scheme.

The scheme requires jewellery, ornaments or any other form in which the deposit is to be made to be melted so that the depositing bank can refine the metal and convert it into standard sizes (like gold biscuits). To begin with not may households would like to see their gold crushed and melted for family jewellery is a sacrosanct part of the heirloom meant to be preserved and handed down to the coming generations. Besides, this would not only mean losing out on the 10-15 per cent making charges (which the depositor has paid in the first place) but also the deductions which the bank may effect after assaying the gold. The scheme provides that the final assaying will determine the actual weight in regard to the purity content of gold and that these results will be final and binding. Besides, as a leading jeweller pointed out, what the depositor would be getting back from the bank will be "in multiples of gold biscuits".

The real beneficiaries of the scheme, as such, could turn out to be temples and trusts, which have no sentimental hangups about what happens to the huge gold donations which come their way, provided they get interest on their deposits. Long-term speculators, who deal in gold biscuits, could also extract some



It was also suggested that a department of disinvestment, headed by a secretary-level official, he set up in the ministry of finance. This would ensure that the unit selected for disinvestment is taken out of the purview of the parent ministry. Another radical proposal was to set up an entirely new agency on the lines of the Treuhand, used by reunified Germany to push through the third phase of privatisation.

Above all, it was also felt, that there was a need to answer the basic question whether the disinvestment proceeds should be used underwrite the fiscal deficit of the Centre. Yash-



Chidambaram is getting increasingly isolated

want Sinha, for instance, has been arguing that it is not a "sin" to balance the budget by dipping into these proceeds. Manohar Joshi, on the other hand, feels that the proceeds should be used for restructuring the weak PSUs as well as for creating fresh assets in the sectors with which the government should concern itself most. There is also the pressing need for diverting some funds towards infrastructure. This is an area where all efforts to mop up resources, like the road fund, are said to be languishing.

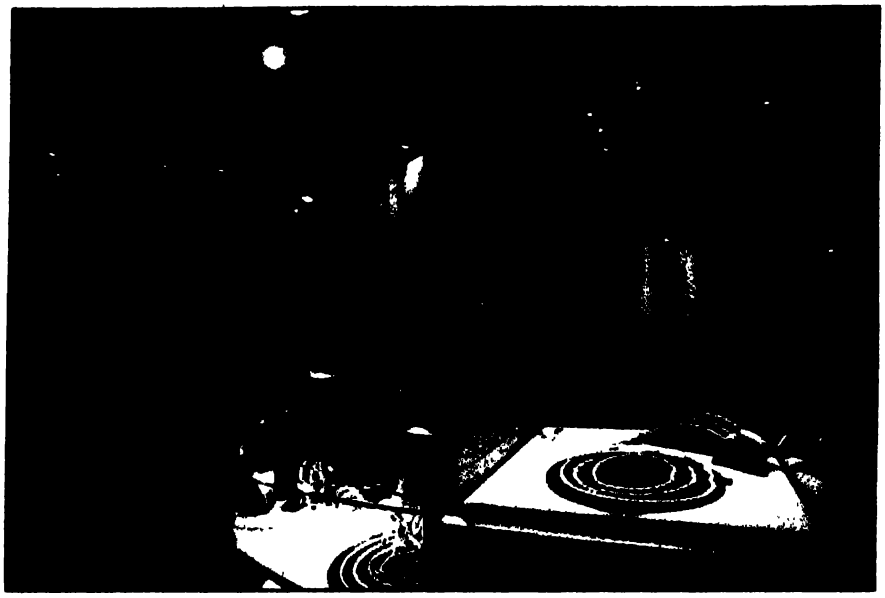
◆ RAKESH JOSHI

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Not many households would like to see their gold crushed and melted

advantages from the scheme.

For the individual depositor, the scheme may not be that attractive. Since there is no facility of withdrawing after the final assay, it is possible that the depositors in some cases may genuinely feel that they are being cheated and thereby take recourse to litigation.

Another deterrent is the fact that the scheme does not carry amnesty. It is a fact that a large quantity of gold is held surreptitiously by individuals. While flagging off the scheme, SBI chairman G.G. Vaidya assured the depositors that absolute privacy would be maintained about the individual data of their gold stocks. "There is no provision in the Income Tax Act for sharing customer-specific information with the officers of the IT department," he said. However, if an Income Tax sleuth has reasonable suspicion about a particular deposit, there is no way the bank can hold back the details. A senior finance ministry official, on condition of anonymity, said that the scheme would have made much more sense if it had gone hand in hand with a voluntary income disclosure scheme.

Even though the interest earned on the deposit varies between 3 and 4 per cent (depending on the period for which the deposit has been made), the fact is that the interest paid to the depositor will vary with the gold price. The scheme clearly states that the payment of interest will be made in terms of the rupee equivalent to the price of gold on the day interest is due. Another drawback is that premature encashment would come at a cost.

Of course, the scheme has many benefits, the main being that an individual's idle gold holdings can now earn an income. It would also mean that a majority of the 800-odd tonnes of gold that is imported annually would no longer land up in bank lockers in the form of dead investment. And some part of the private-held gold would get back into circulation, reducing the need for importing gold.

• RAKESH JOSHI

Distant thunder

The first telephone call went out to N. Chandrababu Naidu and the prime minister himself was on the line. An expansion of the Union council of ministers was being contemplated; would the Telugu Desam reconsider its decision of staying out of the Central government? Thank you, said Naidu, we are satisfied with the present arrangement.

The second call went out to Kalyan Singh, the deposed chief minister of Uttar Pradesh. Kalyan gruffly responded that he was not interested in leaving the state. This upset the BJP's calculations as bringing Kalyan over to Delhi would have meant making life easier for the new chief minister, Ram Prakash Gupta. But Kalyan wasn't willing to forget his humiliation. Rajnath Singh, a Rajput from western UP who heads the state's BJP unit, was the next choice. Vajpayee was advised that Singh's inclusion in the cabinet would send the right signals to the Rajput community in Bihar, where assembly elections are due next year.

This angered Kalyan even further as Singh was a tacit participant in the dissidence which led to his ouster. Kalyan's rebellion could spell problems for the BJP in UP and could turn out to be an unnecessary distraction for Vajpayee and his BJP colleagues. It could also impact on the politics of Bihar. As such, it would be in the interest of the BJP in general and Vajpayee in particular to "manage" Kalyan before he inflicts more damage on the party. After all, political setbacks do tend to derail the economy.

The fact that Bihar is still uppermost in the BJP's priority list became evident when an MP from Patna, C.P. Thakur was inducted into the cabinet. Thakur is a Bhumihar, which is a dominant forward caste of the state dead set against the 'Yadavisation' of Bihar's polity.

Vajpayee's cabinet expansion was a mixed bag: While the decision to appoint journalist Arun Shourie as the new minister of state for planning and programme implementation with additional charge of administrative reforms and public grievances is widely regarded as an inspired choice, Akali Dal nominee Sukhdev Singh Dhinda's installation as the minister for works and estate could be attributed to the compulsions of coalition politics. The prime minister had the choice of appointing a person with an infotech-business background to handle the new department of information technology but he settled for the time-tested Pramod Mahajan.

The expansion and the reshuffle of portfolios showed a subtle design. Now all the 12 non-BJP ministers in the Vajpayee cabinet will have their deputies (ministers of state) drawn



Kalyan's rebellion could spell problems for the BJP

from the BJP. Some suspect that this is an attempt by the BJP to keep tabs on the activities of the non-BJP ministers. Already, railways minister Mamata Bannerji, is believed to have made her displeasure on this count known to the prime minister. Saddled now with two ministers of state, Digvijay Singh of the Samata Party and Bangaru Laxman of the BJP, Bannerji is yet not attributing motives to the BJP. But she is arguing that the appointment of an additional minister (Laxman) negates her efforts at curbing expenditure and introducing austerity measures.

This has the potential of snowballing into a major issue of confrontation between the BJP and its allies. Coalition politics is run on trust and through a mechanism of consultation. As a Trinamul Congress source points out: "The practice of having the Big Brother to keep a constant watch on junior partners is a thing of the past. It will simply not work now."

The BJP knows that it was the dual membership issue which raised the hackles of the socialists and brought down the Morarji Desai government. At the heart of the controversy was the Jan Sangh's refusal to shed its identity as an adjunct of the RSS. The coming months will show whether the BJP has perfected the art of coalition politics.

◆ RAKESH JOSHI



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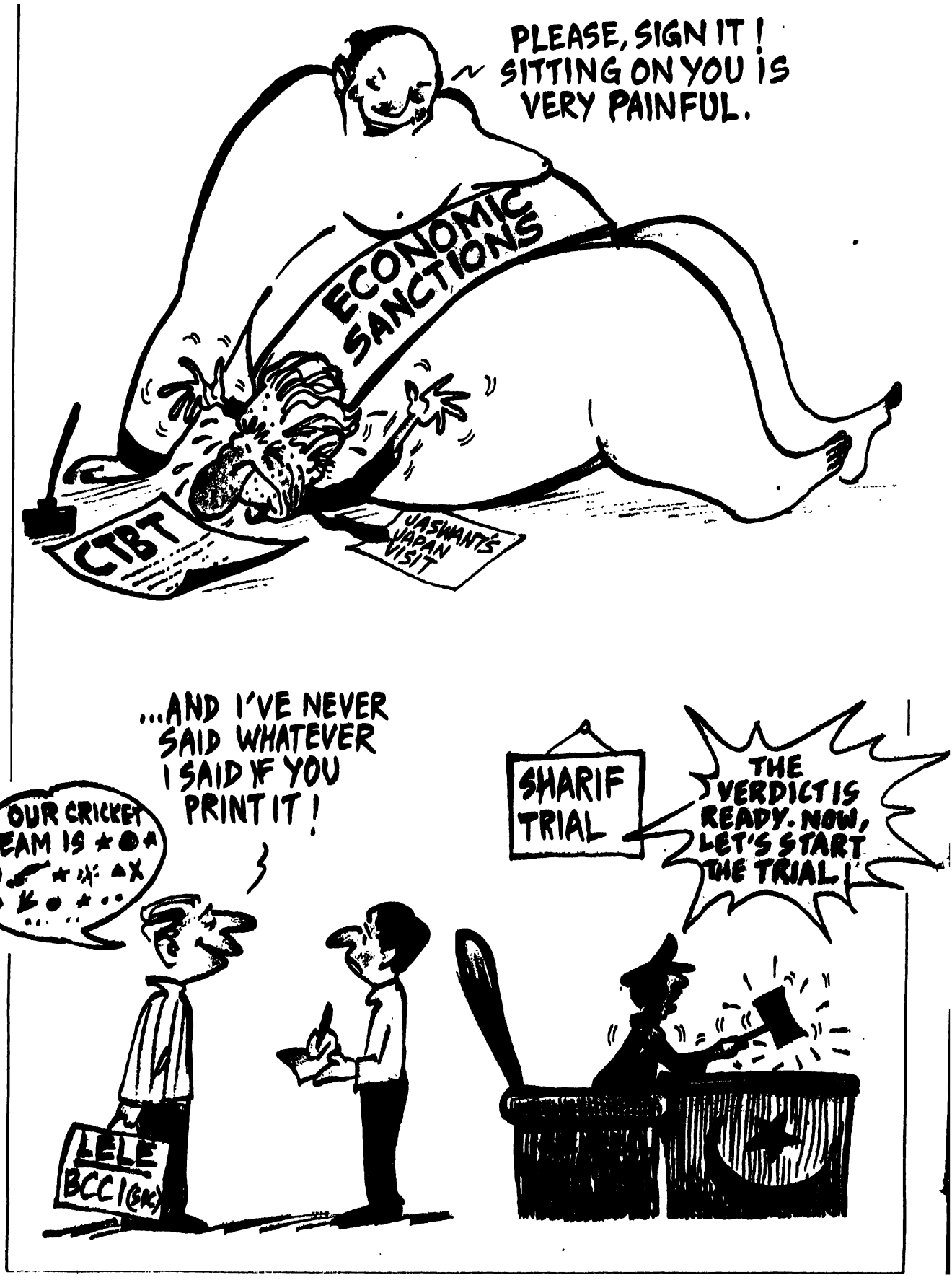
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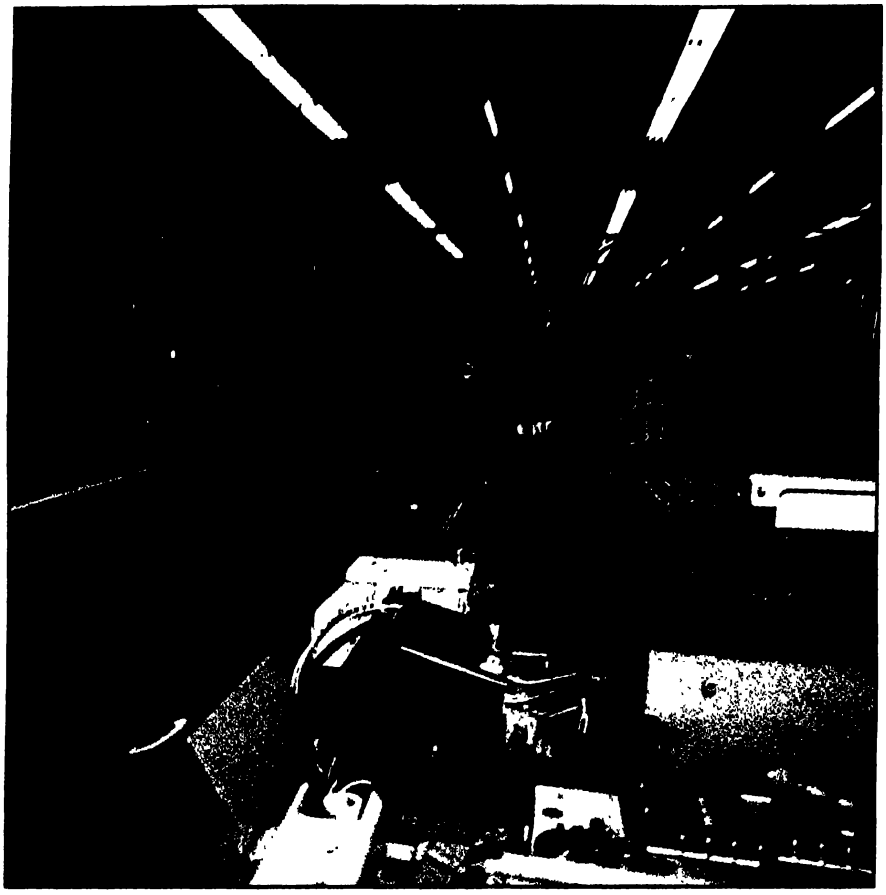
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Living in fantasyland



PALASHRANJAN BHAUMICK

The new textile export quota policy unveiled by the BJP government appears at first sight to be an attempt to revive exports. It is anything but that

The Union Minister for Textiles Kashiram Rana unveiled the Export Entitlement Policy (quota policy) for garments and yarn fabrics and made-ups for the period 1 January, 2000 to 31 December, 2004, last week. Breaking from the past tradition of announcing the policy for a period of three years, the Vajpayee government announced a five-year policy which covers the period till the end of the quota regime under the multi-fibre arrangement (MFA) which also comes to an end on 31 December, 2004. Thereafter, international textile trade will be fully integrated into the WTO regime.

"The New Policy has been designed to be exporter-friendly so aims at simplification and uniformity of procedures, better and periodic utilisation, timebound action in case of appeals and greater transparency," says Rana. "The new policy aims at continuity, stability and at the same time making the exporter more competitive so as to face the challenges of the post quota regime starting from January, 2005. The policy also aims at dovetailing the technological upgradation fund scheme (TUFS) with the quota policy so as to give further boost to the modernisation of the industry making it more competitive in the arena of international trade."

Despite lack of overall balance, the theme of continuity and stability is clearly brought out by the fact that annual levels of the past performance entitlement (PPE) system have almost been kept the same. This will, in turn, ensure that established exporters do not feel any uncertainty and can confidently forge business relationships with importers. The decentralised powerloom sector, which accounts for more than half of the country's total cloth production, has been given a leg up by enhancing the allocation for this sector.

"The TUFS, which is the main scheme of the ministry to modernise and upgrade the textile and jute industry has been given further boost by linking it to the investments under manufacturers exporters entitlement (MEE) and new investors entitlement (NIE). This will enable the export-oriented textile industry to be more competitive which will result in higher value realisation and growth in exports. The phased utilisation being introduced in this policy is also expected to bring about better utilisation of quotas and, at the same time, hopes to take the exporter away from trading of quotas," states the paper released by textile secretary Shyamal Ghosh.

This policy also emphasises the need to enter non-quota markets. Non-quota exports (NQE) in the case of yarn have increased notably while in case of fabrics and made-ups there is a moderate increase. In apparels, NQE has been on an even keel in the garments and knitwear sector while in case of textiles, the performance has not been satisfactory.

Exports of textiles and clothing from India have been facing quota

Allotment of Garments and Knitwear Exports

System of Allotment	Percentage of Annual Level
Past Performance Entitlement (PPE)	70
New Investors Entitlement (NIE)	15
Non Quota Entitlement (NQE)	5
First Come First Served (FCFS) Entitlement	10

restrictions from the US, Canada and the EU for the past 25 years. Right from 1974, when the MFA was established, the Government of India has been negotiating bilateral textiles agreements with those countries that have been restricting imports of textile products into their countries.

But the policy clearly tinkers with this very critical sector. Despite the availability of the Sathyam committee report's recommendations on making the textile sector more competitive, the new policy has adopted an ostrich-like approach to the issue of quotas. The Sathyam committee had suggested the opening up of the sector to FDI and the dereservation of the handloom sector to give a leg up to textiles. But the policy skirts all these issues, retaining status quo. This is a pity because distortions in the current system of quotas are bound to continue.

Allotment of Yarns, Fabrics and Made-ups

System of Allotment	Percentage of Annual Level
I. YARN:	
Past Performance Entitlement (PPE)	55
Manufacturer Exporters Entitlement (MEE)	15
Ready Goods Entitlement (RGE)	30
II. FABRICS (other than for categories 3,3a/EU, 31a and 32a/Canada):	
Past Performance Entitlement (PPE)	55
Manufacturer Exporters Entitlement (MEE)	15
Powerloom Exporters' Entitlement (PEE)	15
Ready Goods Entitlement (RGE)	15
III. FABRICS (for EU/category 3, 3a; Canada category 31a and 32a):	
Past Performance Entitlement (PPE)	55
Manufacturer Exporters Entitlement (MEE)	15
Ready Goods Entitlement (RGE)	30
IV. MADE-UPS (Handlooms) (under quantitative restraint in USA):	
Past Performance Entitlement (PPE)	55
Ready Goods Entitlement (RGE)	45
V. MADE-UPS (Mill-made/powerlooms):	
Past Performance Entitlement (PPE)	55
Manufacturer Exporters Entitlement (MEE)	15
Powerloom Exporters' Entitlement (PEE)	15
Ready Goods Entitlement (RGE)	15

Norms for quota allocation

Over the past five years or so, the stipulated norms for quota allocation towards export of garments have been flouted for the benefits of a select few who subsequently ran it like a monopoly. The cartel so formed, after cornering the stipulated quotas of certain high demand items, sells it in the open market to genuine exporters at a premium as high as 500 per cent. The nexus between the quota agents and the authorities concerned has reached such a state that they have already booked up the quotas for premium items to high yield countries like the US, Australia, the UK and France for the next five years. Under such a system the hidden transaction costs are bound to reflect in uncompetitive textiles out of India.

Distortions in the allocation of quotas have persisted despite the presence of the Apparel Export Promotion Council (AEPC), a body that was set up to monitor the allocation and prevent misuse by fraudulent exporters. Being a body to regulate and promote garment exports, the largest export sector in terms of volume, it has been entrusted to autonomously carry on all possible activities to help the growth of readymade garments. Some of its prime activities include showcasing Indian garments for global fashion requirements by facilitating interaction between foreign buyer sand Indian exporters.

Admittedly some steps have been taken recently by the AEPC mostly to simplify registration by potential exporters with the council. Besides its headquarters at Delhi, centres in Mumbai, Calcutta and Cochin cater to the western, eastern and southern regions. The council has prepared the guidelines on 'registration and membership' to enable the new entrants to understand the procedure, rules and regulations and procure all the relevant information from one single place itself. All very well one might think; the only problem is that most of the clauses have been laid down on 1 November, 1984, and so prove to be quite ineffective in the present circumstances.

But the AEPC can only do so much; after all, the shape of the industry (and exports) has been determined in large measure by the textile policy of 1984 whose harvest this country is now reaping in terms of poor competitveness. Sadly the new textile quota policy bears the imprimatur of that policy in terms of its drab solutions for the next century's challenges that the sector will have to face.

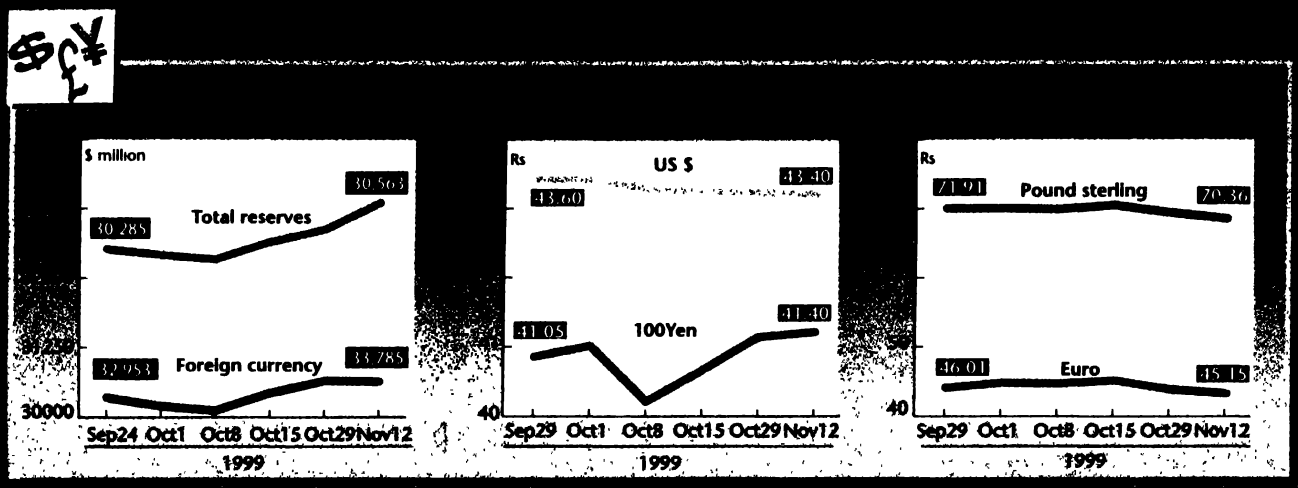
The wonder of it all is that despite the hindrances that the anomalies in the current policies inflict on the sector, the apparel export industry has come a long way and is now the country's largest net foreign exchange earner. The export of apparels during 1996-97 stood at a whopping Rs16,700 crore and is expected to cross the Rs20,000-crore mark for this fiscal.

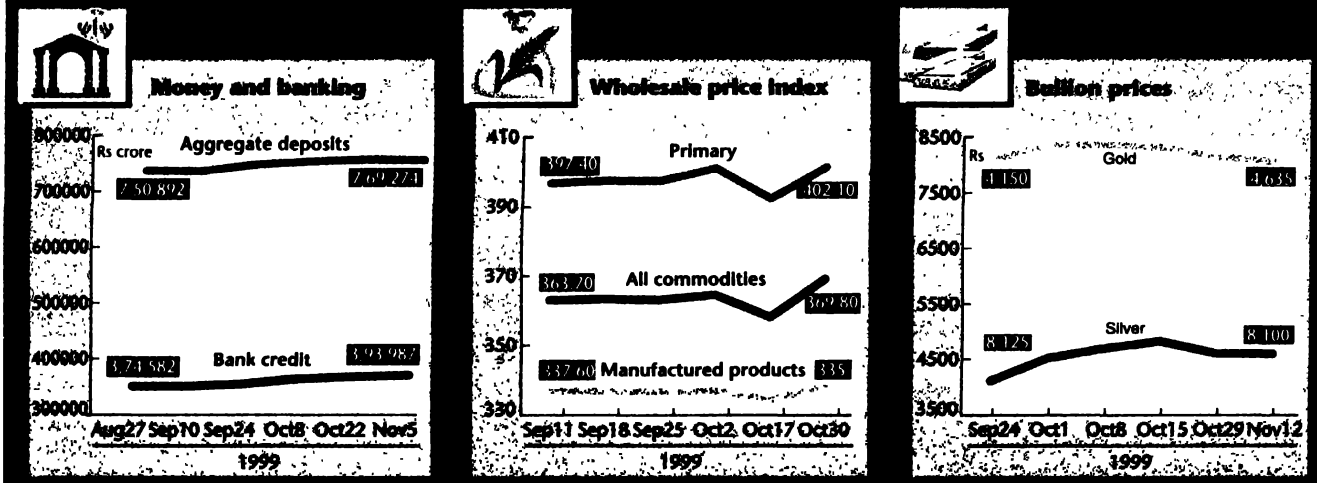
But the trend is already evident in the slide in the upper end of exports and it is precisely to address that slide that the recommendations of the Sathyam committee acquire strategic importance.

The new policy is at best a non-starter and at worst an exercise in futility that could in the long run prove to be disastrous for the country's leading export sector. The new challenges that the industry will face do not require state largesse or protection but freedom to restructure and reorganise. Otherwise we could be kissing this industry goodbye.

• MANOJ NARULA

A change for the better?



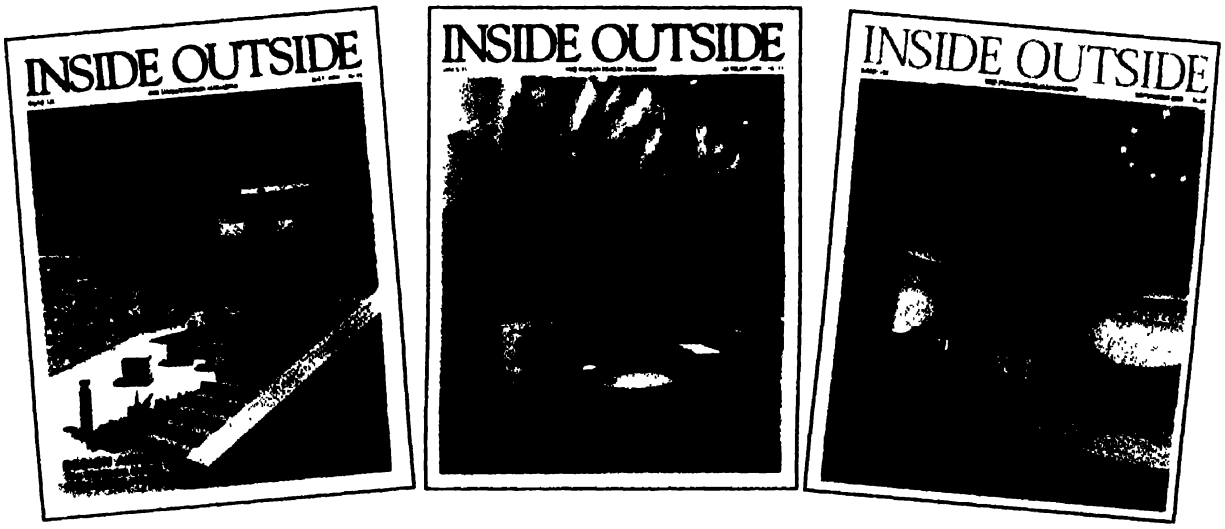


A parlous state

Rs crore

	GFD	External financing	Market borrowing	Small savings	PPF	Other financing	Revenue deficit
Sep 1998	10925	-284	7252	1972	219	1766	4771
Oct 1998	2652	422	-184	2502	259	-347	1202
Nov 1998	8043	-188	5538	2938	266	-511	4654
Dec 1998	4441	-74	3819	2942	280	-2526	1164
Jan 1999	10186	7	4512	1095	365	4208	7106
Feb 1999	10287	158	-789	2063	487	8368	8854
Mar 1999	18373	2178	2203	4651	1372	7969	13262
Apr 1999	16335	-215	15910	434	1868	-1682	14033
May 1999	5676	-170	7536	2466	490	-4646	3465
Jun 1999	11501	-269	9281	2557	355	-422	7319
Jul 1999	12419	-1	11317	2967	476	-2340	9214
Aug 1999	2195	-4	6760	2713	392	-7666	-619
Sep 1999	4269	-6	-1838	2466	330	3317	2363
1998	58298	-1539	46905	11196	2355	-619	29388
1999	52395	-665	48965	13603	3912	-13420	35775

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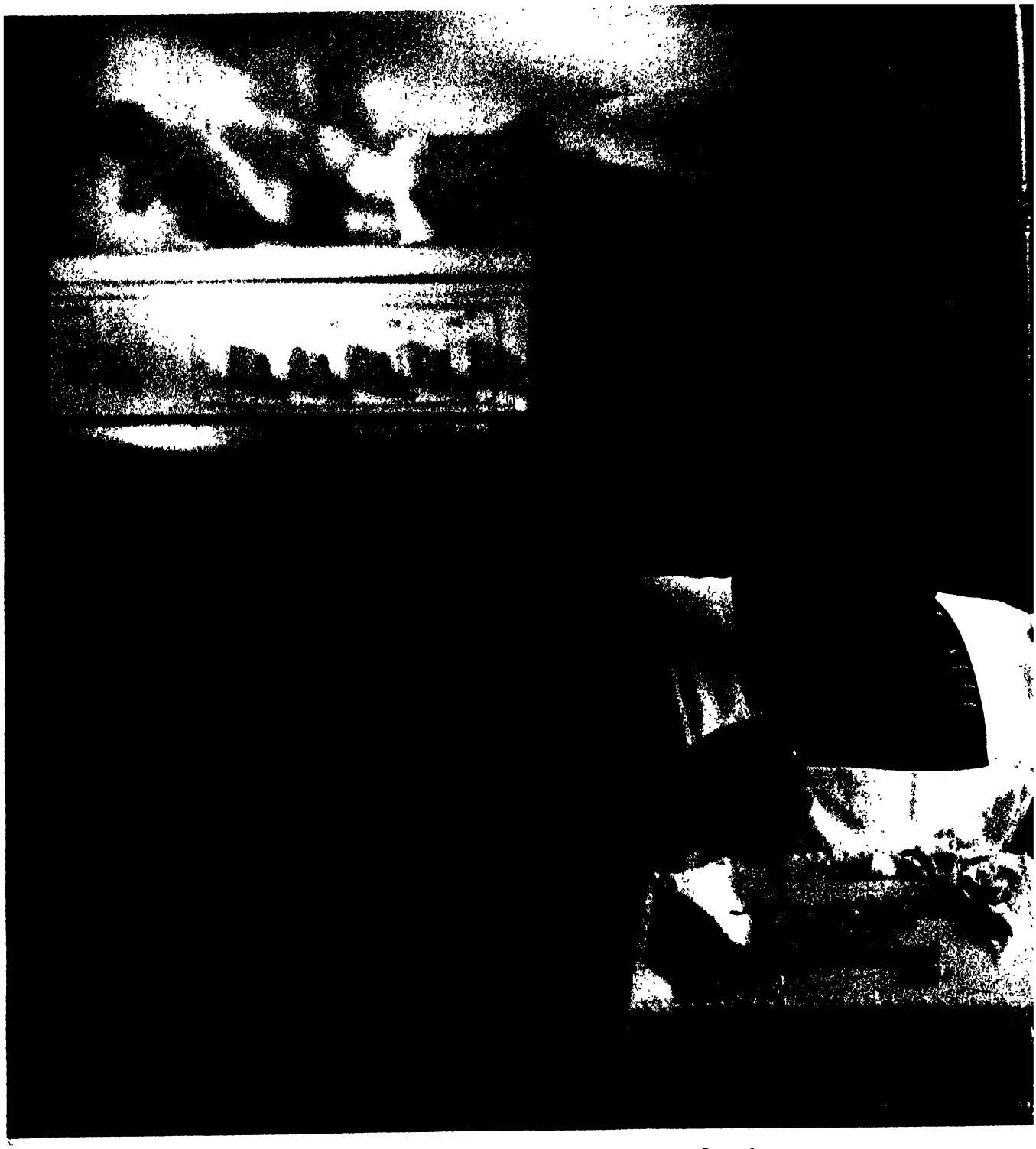
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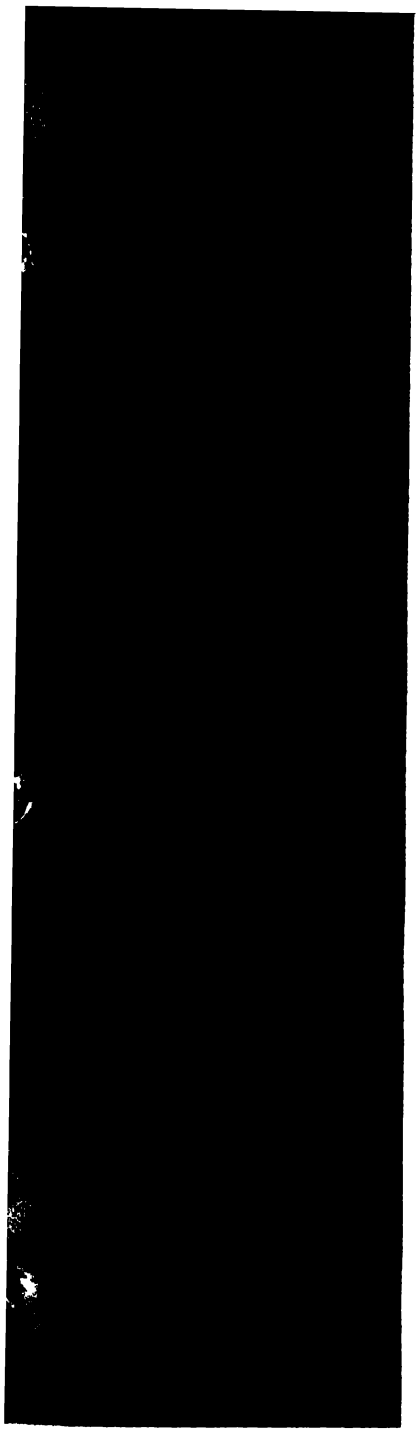
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Signature: _____ Date: _____

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Capt. Krishnan Nair of the next gene



ration?

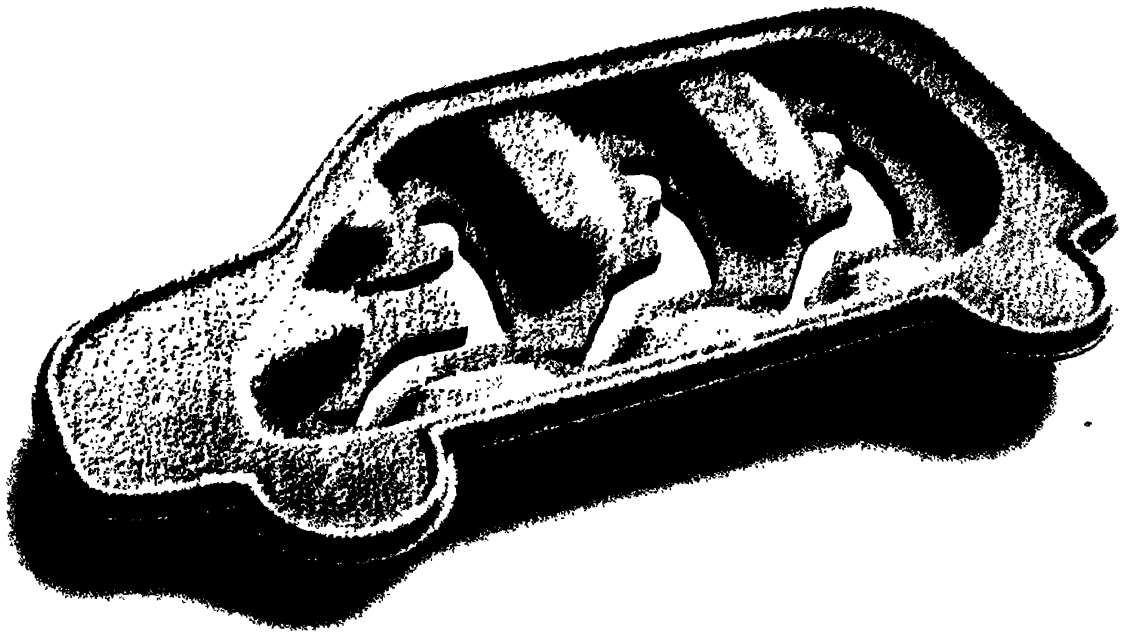
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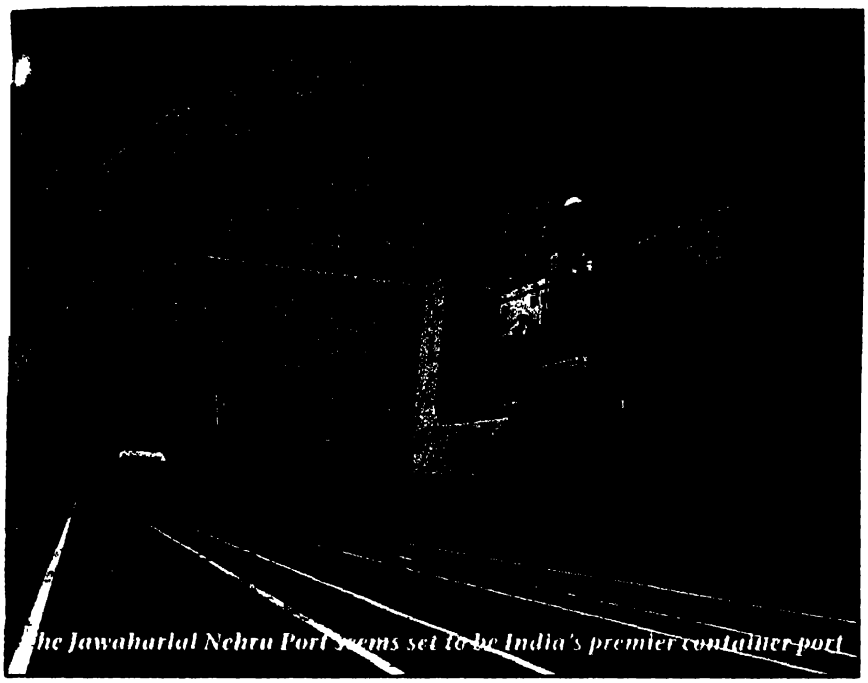
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That sinking feeling


PALASHRANJAN BHALMICK

The Jawaharlal Nehru Port seems set to be India's premier container port

Mumbai has seen it all – the rise and fall of its oldest port and the rise and rise of a young port – and is asking if the city has one port too many

With a steady decline in traffic, falling revenue, rising expenditure, a deterring mean turnaround time of 4.92 days, archaic functioning beset with an outsized labour force of 32,000, and constraints of obsolete lock gates, the question many people are asking is: has the 126-year-old Mumbai Port outlived its utility?

As the sprawling complex and the properties of the Mumbai Port Trust (MbPT) that controls the port straddle 1,860 acres of prime real estate, including 868 acres of let out land, in south and central Mumbai, there is a growing perception that shutting down the port will visibly decongest the metropolis and also release valuable space for the creation of commercial and residential accommodation as well as a desperately required green belt. Such perception finds support in the experiences of London and New York, where much larger ports were moved out years ago and replaced by the fashionable districts of the Docklands and Battery Park, respectively. The decommissioning of the Baltimore and Oslo ports also serve as suitable illustrations for this. Most operations of the Mumbai Port could well be shifted to the efficiently managed Jawaharlal Nehru Port (JNP) that lies just six nautical miles away across the harbour on the mainland and which serves the rest of Maharashtra and the other hinterlands more than adequately.

Rough weather

For decades, Mumbai Port, commissioned on 25 June 1873, remained India's premier port, carving a unique niche for itself in the country's commercial geography and, more importantly, tracing and moulding the development of the modern metropolis of Mumbai. Cradled in a natural deepwater harbour of 180 sq km protected by the mainland of Konkan on its east and the island of Mumbai to its west, it had a strategic location midway along India's western seaboard that provided sheltered access to ships steaming into the channel.

MbPT chairman Arun K. Mago is, however, not willing to write off his enterprise just yet, asserting that though the port is beset with daunting challenges, it remains a major port. "Even today, with the development of other ports in the neighbourhood, it caters to 12.3 per cent of India's total seaborne trade in terms of volume," he says. "It is also the country's leading general cargo port accounting for 18 per cent of this traffic, the leading container port handling about 30 per cent of the national trade in containerised cargo and the leading POL [petroleum, oil and lubricants] port, handling about 16 per cent of India's POL traffic," he adds.

Mago, nevertheless, indicates that while the port was India's premier one in 1995-96, with total cargo handled grossing 34.05 million tonnes then, emerging competition edged it to the fourth position – after Kandla, Visakhapatnam and Chennai – last year, when its tally dwindled to 30.97 million tonnes. With the aggressively developing JNP becoming fully operational and major container lines shifting to it from MbPT, the latter's container traffic, which had increased from 517,000 teus (20-foot equivalent units) in 1995-96 to 601,000 teus in 1997-98, slumped to 509,000 teus, or by 15 per cent, last year, he explains. This is likely to slide to 480,000 teus in the current year.

The port's POL traffic similarly declined from 20.02 million tonnes in 1994-95 to 16.68 million tonnes last year on account of the falling production from Bombay High, while its total income is estimated to dwindle to Rs645.19 crore this year from Rs686.32 crore in 1998-99, with total expenditure rearing up from Rs578.68 crore to Rs657.52 crore over the same period. As a result, while the port showed a net surplus of Rs107.64 crore last year, it will register its maiden deficit – of Rs12.33 crore – in the current year, says Mago. Such a deficit overtakes the prediction by the US-based Cornell Group in a study commissioned by the Asian Development Bank of an operating loss of Rs14 crore in 2001-02 due to increased operational expenditure and competition from JNP. Cornell also foresees a

15 per cent decline in container cargo traffic due to diversion to JNP. Coupled with rising labour costs, the port's profitability has already started showing these negative trends, it reports.

Mired in inherent problems that defy quick-fix solutions, MbPT's plight is compounded by the virtually lethal threat held out to its survival by the 10-year-old JNP, which had been planned with a view to decongest Mumbai and serve as a hub port for this region. Ironically, JNPT has an outstanding interport loan of about Rs350 crore from MbPT. Commissioned on 26 May 1989 on 6,000 acres in the twin villages of Nhava-Sheva across the Thane Creek, JNP was planned and constructed as a state-of-the-art facility. It is designed to international standards in line with the most modern facilities with a 3.5 million tonne capacity for handling dry bulk cargo and a 250,000 teu capacity for containerised cargo. Responding to the needs of the times, port facilities have been upgraded for handling export vehicles, import and export of iron ore, semi-processed iron ore and even liquid bulk cargo of 'B' and 'C' class chemicals at the multipurpose berth.



SANJAY BORADE

Mago says Mumbai Port's survival hinges on building three additional berths

According to JNPT chairman M.P. Pinto, his port has emerged as the country's leading container port, soaring from a container turnover of 33,880 teus during its first year of operation of 1989-90 to 504,149 teus in 1997-98 and to 669,108 teus in 1998-99. He expects the port to cross 850,000 teus this year and exceed the one million teu figure in 2000-01. This will make it the first Indian port to handle this volume of container traffic. Overall cargo handled by JNPT in 1998-99 was 11.72 million tonnes, up 31.79 per cent from 8.89 million tonnes the year before, despite the fact that a trade depression and the east Asian economic crisis caused a stagnation that year among the rest of the country's 11 major ports, he points out. It has projected a turnover of 23.16 million tonnes for 2003-04. The port's turnover nudged Rs482 crore last year, yielding a net surplus of Rs235.45 crore. The chairman notes, however, that the income is anticipated to decrease this year owing to a stagnant volume of traffic and interest payments and repayment of loans peaking at around this time.

Rise of the rival

Pinto is nonetheless confident that with its strategic location on the main-line maritime route and its vast geographical hinterland, JNP can become India's premier port for containerised and bulk cargo. Its highly automated operations and main concentration on core activities like container and breakbulk are buttressed by its six rail mounted quay cranes, with two more being acquired, 14 rubber-tyred gantry cranes and three rail mounted gantry cranes. Its container terminal has three berths of 680 metres quay length which can handle third generation container vessels. Its 35 hectare container yard of 30,000 teu capacity has an additional paved area of 1.8 lakh sq m. It has two berths with a capacity of 2.9 million tonnes for dry bulk and one multipurpose berth of 3.5 million tonne capacity for handling liquid and other cargo, each capable of handling ships of up to 85,000 dwt. All this is aided by computerised operations with a single-window documentation system and a regular review of port operations with port users. JNP is also acclaimed to be India's greenest port with 800 hectares reserved exclusively for greenery, 500 hectares of which have been progressively greened since 1984.

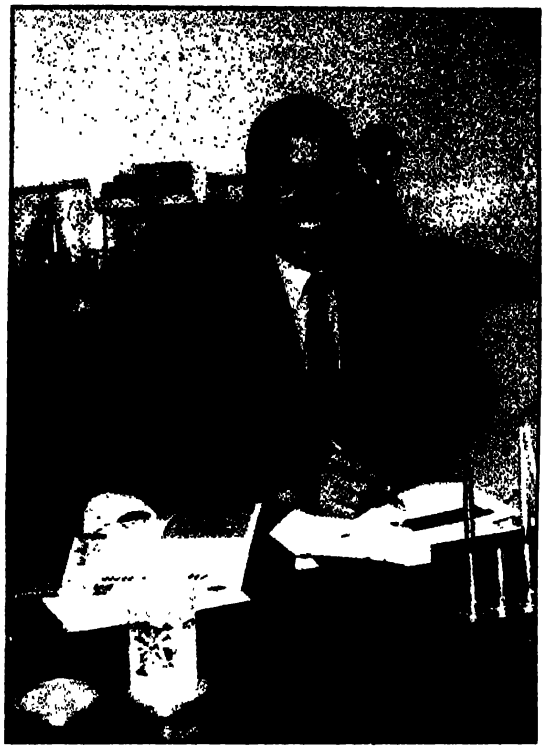
A senior MbPT official rues his port's dismal showing despite the fact that being long established, it has depreciated assets and suffers from no debt burdens or punishing interest servicing schedules as do JNPT or Pipavav in Saurashtra. The primary factor, he maintains, is the hugely bloated workforce that devoured a staggering wage bill of Rs227.03 crore last year, constituting 52.26 per cent of the operating expenditure of Rs434.4 crore and a massive 65.75 per cent if the Rs58.57 crore overtime bill is computed alongside. The projected wage bills for this year, with and without overtime, are Rs326.38 crore and Rs286.38 crore respectively, and will hence account for a higher 66.24 and 58 per cent of the estimated operating expenditure of Rs492.74 crore. The national average is 40 per cent.

Mago points out that while JNPT handled 11.72 million tonnes of cargo last year with its workforce of 1,800, MbPT engages 2,000 personnel to handle the 16.67 million tonne POL cargo. MbPT traffic is driven primarily by POL, which makes up 53.83 per cent of its total cargo. That leaves the balance 30,000 workers for handling the 13.3 million tonnes of the remaining container, general and breakbulk cargo, a vastly lopsided teeth-to-tail ratio by any yardstick. But instead of being able to rationalise the workforce in order to replace flab with muscle, MbPT is straitjacketed by an uncompromising labour union and could sink even further into the red once the imminent wage revision comes through. The supersession of the Mumbai Dock Labour Board and

absorption of its employees in the MbPT has imposed an additional liability on the MbPT.

"Consequently, Mumbai Port accounted for 12.3 per cent of the overall traffic of 251.72 million tonnes handled by the dozen major ports last year, but with a workforce that constituted 30 per cent of the combined labour engaged at these facilities," says Mago.

The trust authorities had devised a voluntary retirement scheme (VRS) dependent on the manning scales, that is, the ratio of workmen to the job at hand, but union resistance has staved it off. It offered 60 days' salary for each year of completed service, in contrast to the 45 days offered in the VRS package six years ago that saw some 2,000 workers availing of it. The Cornell study has recommended that for the Mumbai Port to remain viable, it would need to curtail its labour strength to 4,000. Only if the wage bill is reduced can the port hope to pass on this benefit to its customers.



Pinto is confident JNP will evolve into a hub port

Time to act

"For this, labour reforms are imperative," says a senior official on condition of anonymity. "The world over, port reforms are brought about through law and not by bilateral negotiations with unions." As of now, the Mumbai Port has been reduced to being a welfare institution whereas ports are a commercial activity, more so in today's fiercely competitive environment, he adds. Manning levels and output norms need to be rationalised to make the port cost effective so as to reduce cost and improve productivity. MbPT traffic has grown at a sluggish 5.8 per cent compounded annual growth rate (CAGR) compared to the national average of 8.3 per cent over the last five years. He explains that the legal and regulatory framework for Indian ports is provided by the Indian Ports Act of 1908 and the Major Port Trust Act of 1963, the latter mandating the port authorities to act on the directions of the Central government.

A prominent shipping agent charges that the Mumbai Port has yet to realise the importance of customer friendliness in expanding business. "It takes hours just to secure allocation of pre- and post-shipment storage facilities for inbound or outbound cargo," he observes. Trucks freighting goods to and from the port have to traverse the entire length of the city and are burdened in the bargain by corrupt municipal octroi agents who can stall a vehicle virtually indefinitely, he alleges. The four-lane Wadala-Sion Link Road that should lead the traffic away from the inner port road from Ballard Pier to Wadala runs into a bottleneck at Antop Hill which is hemmed in by slums, he says. "There is a 3 km long traffic snarl every evening as a result and the 30 km access from Thane to the north-east can easily take five hours or more," his partner exclaims.

Access to JNPT, in contrast, is much easier and devoid of octroi and the 30 km route to Panvel can be covered within 45 minutes, he adds. He also complains of the outdated and unproductive methods of engaging labour, explaining that while a gang of 20 workers is supposed to stuff seven containers during day and five during night in eight-hour shifts, it routinely ends up taking far longer and charging overtime.

A senior executive of a well-known clearing house agency mentions "needless difficulties" at the Mumbai Port where examination and documentation of cargoes are undertaken at altogether different points, whereas at the JNPT this is done in the vicinity. "Documentation is carried out at the New Customs House, whereas examination is carried out at distant places like the Sewri Timber Point," he states. "Even the storage yards are far away from the berths and cargo needs to be shifted there by trucks."

Mago acknowledges, "We are probably not very customer-friendly, but this will be addressed shortly by our Strategic Plan that envisages the replacement of outdated equipment, privatising two of the port's terminals and its two dry docks, increasing computerisation in our operations such as an electronic data interchange (EDI) that will enhance efficiency, and working towards an ISO 9002 certification."

The shipping agent, however, points out, "Ships also lose a lot of time because of the ageing system of locks." Mumbai Port has three enclosed wet docks – Prince's, Victoria and Indira Dock – having a total area of 46.3 hectares and a quayage of 7.78 m inside the wet basin and 853 m along the harbour wall. Prince's Dock is the oldest of the three, commissioned in 1880, and it has 14 berths, each with a designed draft of 6.1 m. The 111-year-old Victoria Dock has 15 berths, each with a draft of 6.7 m. Indira Dock, commissioned in 1914, has an entrance lock 228.6 m long and 30.5 m wide, through which vessels can enter or leave the dock at any state of tide. Only four vessels can either leave or enter the dock during each tidal change. There are 21 berths inside the basin and five berths along the harbour wall, the draft inside the basin being 9.1 m, which can be increased by 1.20 m by impounding water.

"This low draft inhibits the berthing of larger vessels," says the agent. "Those berthed here are just half the tonnage of ships that should normally be moored at berths this size." To the south of Indira Dock, along the extended arm, are two open berths – Ballard Pier and Ballard Pier Extension – each 24 m long with a draft of 9.1 m and 9.7 m, respectively. Ballard Pier Extension handles passenger vessels and is equipped with a modern passenger terminal building. A container terminal has been set up at Indira Dock, which is provided with two gantry cranes for ship-to-shore handling of containers and three yard stacking cranes.

There are four jetties at Jawahar Dweep, formerly Butcher Island, to handle crude and POL tankers and an offshore berth at the Pir Pau islet to handle liquid chemical and some of the POL traffic. Jawahar Dweep can handle tankers with a maximum loaded draft of 12.7 m and up to 150,000 displacement tonnes, while the New Pir Pau jetty, commissioned in December 1996, can handle tankers of 35,000 dwt with a maximum loaded draft of 11.1 m. "Take away Jawahar Dweep together with its POL cargo and the Mumbai Port will collapse within no time," the agent mentions.

MbPT deputy chairman R.R. Sinha says a global tender has been floated for appointment of a consulting agency to undertake a techno-economic feasibility of the Master Plan for *The Development of the Port of Mumbai*. The plan was prepared and submitted in September 1998 by the Japan International Co-Operation Agency (JICA) under the Japanese government's technical cooperation programme. It has recommended that MbPT handle only cargo bound for Mumbai by 2017. At present, the port handles cargo bound for the hinterland that encompasses parts of Maharashtra, Gujarat, Madhya Pradesh and Rajasthan, apart from Mumbai. It also caters to traffic originating from and bound for Inland Container Depots (ICDs) nationwide.

Revamp route

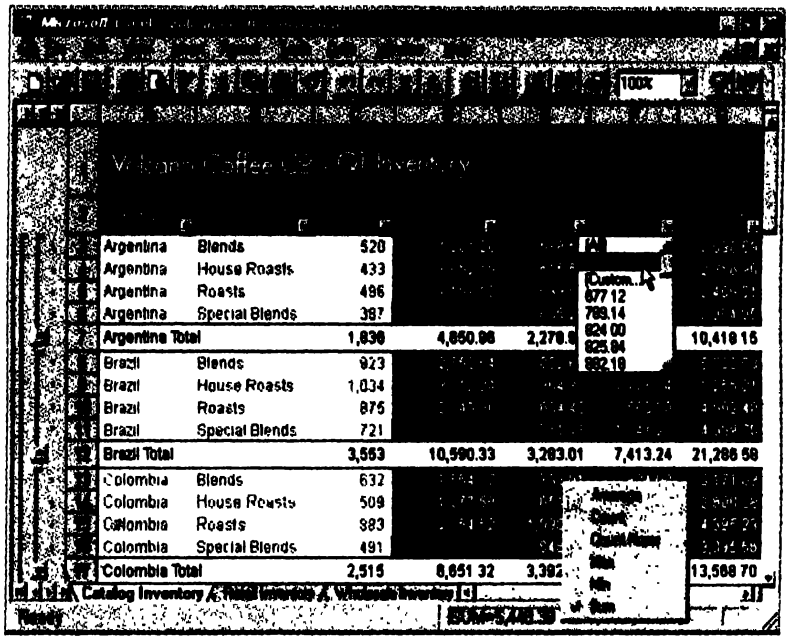
JICA bases its reasoning on its projections that the container traffic that will be handled by JNPT will touch 5 million teus by 2017 and competition for traffic bound for the hinterland will also increase as various minor ports are expected to come up in Maharashtra. The state government has decided to develop seven minor ports at Alewadi in Thane district, Dighi in Raigad district, Dabhol, Jaigad and Ratnagiri in Ratnagiri district and Vijaydurg and Redi in Sindhudurg district. At the same time, the agency has recommended construction of three additional berths costing Rs1,000 crore that will enable MbPT to handle 1 million teus. It has also recommended dredging to a draft of 12.5 m to enable third generation container ships of 3,000 teus to call at the port

"If the port handles only city-based traffic, it will relieve the pressure on Mumbai's road and rail infrastructure for transporting cargo," the report suggests. The port owns and operates its own 11 km railway which is connected to the broad gauge main lines of Central and Western Railways at its interchange railway yard at Wadala in central Mumbai and has its own fleet of 25 diesel locomotives. The railway handled around over 3 million tonnes of traffic last year. The port area is also served by an extensive network of roads of over 126 km. Considering that each rake can carry up to 30 containers, or 30 teus, and each truck can carry 10 tonnes of cargo, the pressure of the vehicular and rail traffic on the urban infrastructure can well be surmised.

Mago mentions that among the revamp measures for MbPT is the Rs272-crore project for replacing submarine pipelines that connect the marine oil terminal at Jawahar Dweep to Pir Pau. It is slated for completion next June. There is also the Rs31-crore remodelling and upgradation project for 5 km of track length at Raoli and Wadala and installation of overhead equipment and the Rs25 crore for replacement of wharf cranes at Indira Dock. By next July, the port also hopes to replace its ageing floating crane with an allocation of Rs31 crore, with a further Rs9 crore set aside for the replacement of the entrance gate at Victoria Dock, Prince's Dock and Hughes Dry Dock.

While stressing that JNP came up across the Mumbai harbour as a necessary alternative to the overcrowded and overburdened Mumbai Port, Pinto believes that the latter can remain an important port, though it cannot aspire towards a hub port status. Indeed, despite its own meteoric rise in productivity, JNP continues to be a feeder port, although the premier one, due to constraints of a relatively low draft of 12 m in the common harbour channel for both this port and MbPT. The surface transport ministry is contemplating measures aimed at making JNP a hub destination that can check Indian exporters from using ports outside the country such as Colombo, run by the Sri Lanka Ports Authority, or Dubai's Jebel Ali Port administered by the Dubai Port Authority. Almost 80 per

	MbPT	JNPT
Commissioned on	25 June 1873	26 May 1989
Workforce	32,000	1,800
Total land area	1,860 acres	6,000 acres
Turnaround time ('98-'99)	4.92 days	1.15 days
Pre-berthing detention ('98-'99)	0.6 days	0.41 days
Projected estimates for 1999-2000		
Total cargo handled (in million tonnes)	30	14.77
Income (Rs in crore)		
i) Operating	552.33	383.09
ii) Total	645.19	482.31
Expenditure (Rs in crore)		
i) Operating	492.74	233.41
ii) Total	657.52	341.09
Total wage bill (Rs in crore)		
i) Without overtime	286.38	21.15
ii) With overtime	326.38	24.65
Net surplus (Rs in crore)	12.33 (deficit)	141.22 (surplus)



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cent of Colombo's container traffic accrues from India. It is estimated that Indian exporters spend an extra 30 per cent in transport costs because India does not have a hub port and that over 50 per cent of India's international trade is routed through the region's hub ports, such as Colombo and Dubai.

Pinto indicates that JNP is keen on developing a hub-and-spoke system where international lines can off-load their cargo which would be shipped by feeder lines to other ports in India. Likewise, India's growing exports could also then be serviced through JNP, where the large Panamax and Panamax-plus vessels, that is, of 3,500 teus and over, could call. JNP is also earmarked for corporatisation, a measure which, Pinto says, will grant the port greater autonomy, and better access to the financial market and private capital. JNP is anyway not as hampered by the antiquated Major Port Trusts Act of 1963 as the Mumbai Port is and is already expanding its operations by leasing them out to private players on a build-operate-transfer (BOT) basis.

It is owing to this that the $250 million Nhava Sheva International Container Terminal Ltd (NSICT) has come up alongside JNP, already providing it stiff competition in its six months of existence with its current operating level of 450,000 teus per year. With four gantry cranes in operation and some of its infrastructure yet to come up, the terminal has stopped taking on more customers after having already weaned away some of the JNPT's. Says Pinto, "Competition is good for us as it will lend us the competitive edge and the will to excel." JNPT charges a royalty to the NSICT, which is promoted by a consortium comprising P&O of Australia, Malaysia's Konsortium Perkapalan Berhad and India's DBC Port Management Pvt Ltd on a BOT basis and a licence period of 30 years.

Such serious competition has prompted JNPT to formulate additional facilities that include a Rs750-crore modern, two-berth container terminal having a capacity to handle 7.5 million tonnes of cargo per annum. Also proposed is a Rs200-crore dedicated berth for liquid cargo set up by Bharat Petroleum Corporation on BOT basis with a capacity of 6 million tonnes per annum. An integrated marine chemical terminal costing Rs1,700 crore is also planned for handling chemicals with an annual capacity of 15 million tonnes initially. JNPT is also working on labour reforms and work practices aimed at improving berth productivity and turnaround time.

Tough tasks

The surface transport ministry is also looking at the possibility of increasing the channel's draft to 15.5 m that would permit access to third generation vessels with 6,000 teu capacity and a draft of 14 m. Pinto feels the common harbour channel and the common vessel traffic management systems (VTMS) for both the ports can be synergised for consolidating the functioning of the two ports for their mutual benefit. Proposals include barging to MbPT the cargo that lands in larger ships at JNPT. Currently, much of the cargo destined for Mumbai that offloads in JNPT is moved by train to the Mulund yard from where it is forwarded to various destinations in the city. Though there is a degree of barging at present, the aim is to strengthen this link, the JNPT chairman maintains. Another option is for JNPT to impose higher tariffs for certain types of vessels than MbPT in order to benefit the latter.

But the senior MbPT official is sceptical about such arrangements, terming them as mere window-dressing while leaving the crux of the matter unaddressed. "One cannot have a straight arrangement between ports on issues that impinge on the wider interests of port users like shipping agents, stevedores, surveyors, transporters, chandlers and the like," he says. "Besides, the growing competition calls for more fundamental and proactive counter-measures than these."

Mago concedes that MbPT will find it difficult to survive if it cannot fulfil obligations such as building the three additional berths that JICA has recommended. The official deems it futile to shed tears if a rival port poses a threat. "Sincere efforts should be exerted to streamline the working or else it would be wiser to simply give up the ghost," he states. Sinha, too, believes that those ports unable to face competition will either be smothered by their rivals or will have to forge self-defeating compromises with them. "Finally, only the more profitable ones will survive," he says.

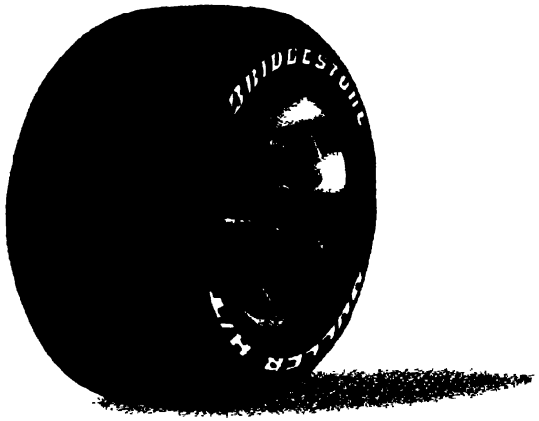
There is no doubt that a shutdown of the Mumbai Port can have widespread repercussions for the city as it can throw out of work literally tens of thousands from not only the dockyards, but those engaged with shipping agents, stevedores, chandlers, suppliers and transporters as well. Even in their case, only the larger ones will survive and be able to shift their businesses to JNPT or NSICT as the case may be. That apart, JNPT has constraints on physical expansion and it is said that once the chemical terminal is built, its development will have been complete.

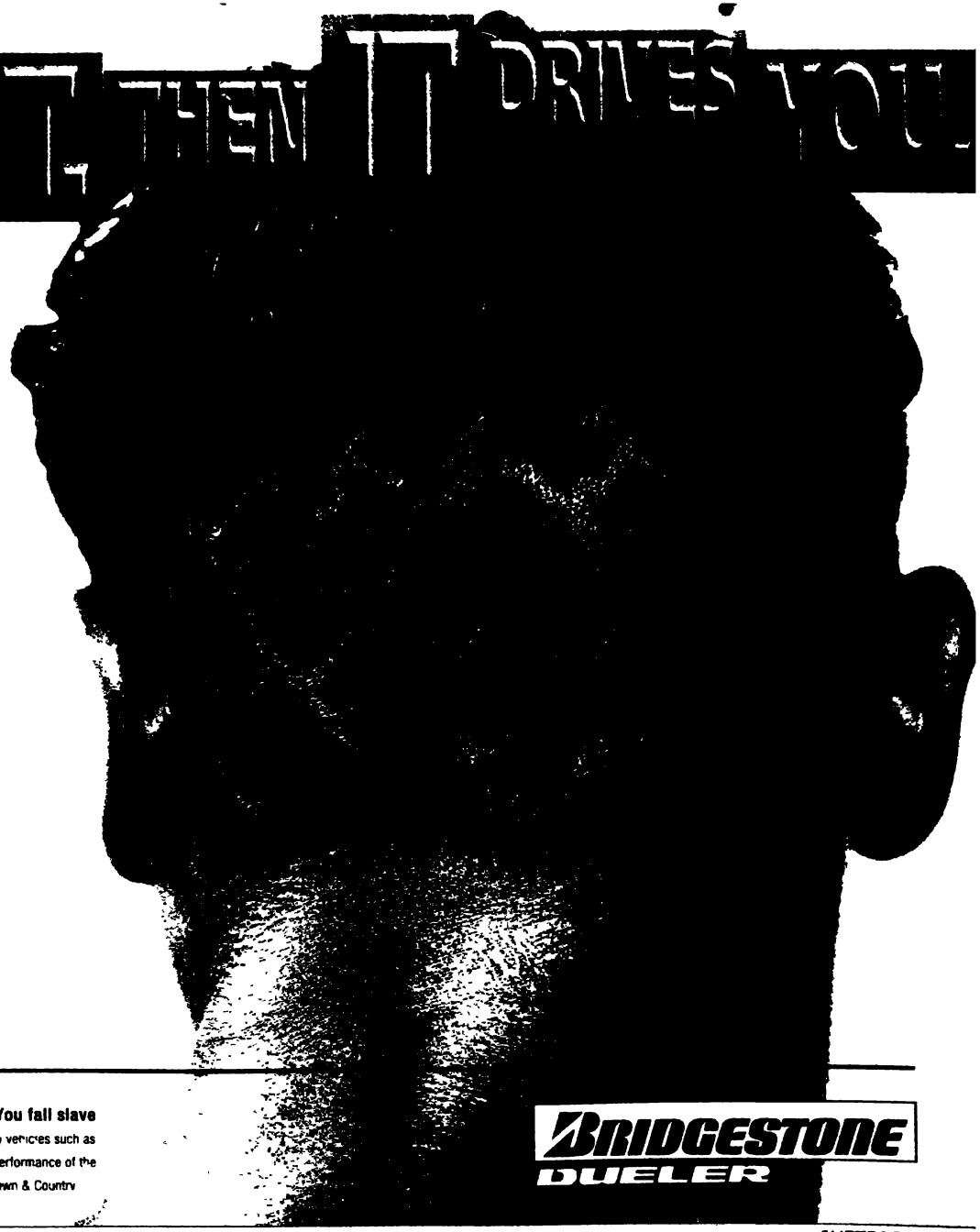
Eminent architect Hafeez Contractor, however, feels otherwise. "The trade-off in the Mumbai Port's closure is far more positive," he says. Transferring all the port activity of Mumbai to JNPT can decongest the city to an extent that can improve the very quality of life for its 16 million citizens, he reckons. "But such an exercise requires vision and I wonder if the authorities have it in them to push for this ultimate salvation for the metropolis," he asserts. It's time we learnt from the experiences of others such as in New York and London where the exit of their docks breathed new life into those cities and their inhabitants.

Contractor stresses that Mumbai has always been a commercial centre and the space yielded by MbPT can be used constructively through the creation of parks, landscaped gardens and wooded areas, and promenades "studded with residential and office blocks" with the arterial road being part underground to minimise pollution. "But if ever the dock were to be shifted, the authorities would convert a hearty meal into inedible morsels by parceling out the real estate to their minions in the building industry rather than ensure its holistic and organic development," he concludes.

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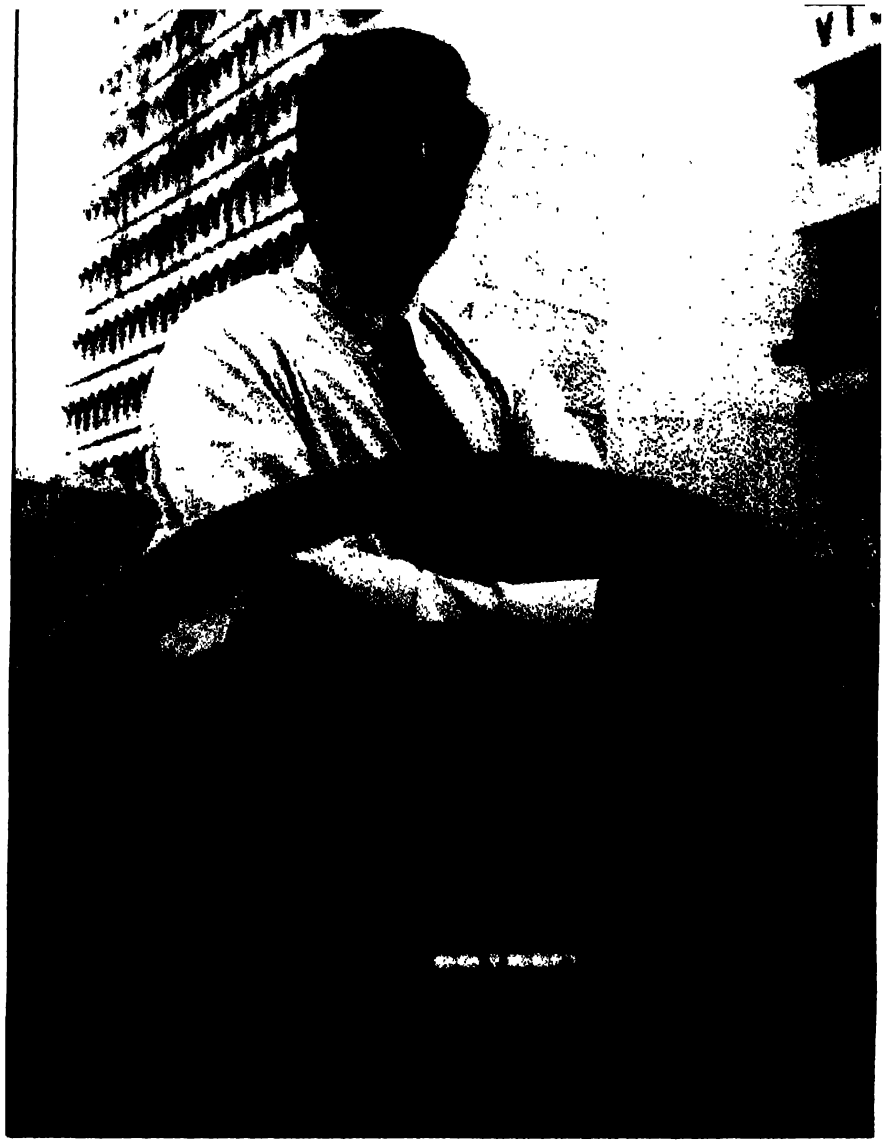
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Mean money machine

After a prolonged lull, the Rs6,500-crore car finance industry is revving up once again mirroring the strong demand in the proliferating economy car segment



Kakkar insists that Citibank sells cars, not finance

Prashant Ruparel is late for his meeting with Kotak Mahindra Primus director Dipak Gupta. Ruparel wants a Hyundai dealership and the idea is to get KMPL to bankroll it. Armed with all his papers Ruparel finally arrives at Nariman Bhavan in south Mumbai after weaving in and out of bumper-to-bumper rush-hour traffic and begins his dialogue. Kotak Mahindra Primus, after cranking up its retail financing side of the business, is now focusing on the wholesale end of things. The big boys in car finance like KMPL and Citibank are now acting as dedicated car finance facilitators, creating a complete chain which brings the car to the end user.

Sophisticated and specialised systems and processes offering complete solutions are now guiding the future of the Rs6,500-crore car finance industry. Ruparel has with him collateral papers which he is pledging. Against these KMPL will loan him Rs3 crore for the whole ball of wax – premises, showroom, equipment, inventory financing. More importantly, the entire payment to the manufacturer will be routed through KMPL. Ruparel will repay his medium-term loan in a time frame of 12–24 months.

Meanwhile, at a Citibank branch in Delhi, savings account and credit card holder Rajen Kochar is looking to upgrade from his Maruti 800 to the trendier Zen. While the rack rate of 16–17 per cent is common across the board in the industry, Citibank offers its valued customer a templated discount, dropping 0.75 per cent. Kochar is happy as he inks the papers; his mission has been accomplished. Vice-president and business manager (auto finance) Rajeev Kakkar says, "Relationship marketing with our customers is the major determinant. We believe in value-based pricing. I maintain that we sell a car, not finance. Truth in lending and the absence of hidden costs are driving my business." Citibank N.A. is the pioneer and market leader in the burgeoning car finance industry with a 33 per cent marketshare, selling 3,500 cars per month out of 30 locations. In fact, one out of every three cars sold in the country is sold through Citibank.

Atul Pande, chief operations officer of the other industry heavyweight Maruti Countrywide, which has a presence in 84 locations, says: "There is no nodal agency that releases any audited data on ruling marketshare in the car finance industry. But the last quarter has been great for Countrywide and Maruti Countrywide with disbursements growing by about 20 per cent and acquisition of new accounts growing by about 32 per cent as compared to the corresponding period last year."

Countrywide is on a high-growth path primarily owing to price erosion

Monthly passenger car sales

Year/ Month	MARUTI						Maruti	HM	FIAT INDIA		Total	DAEWOO	HYUNDAI		TELCO		Merc	GM	Ford	SIEL	Mitsubishi	GRAND
	M 800	Omni	M1000	Esteem	Zen P	Zen D	Total	Total	Uno	Siena		Matiz	Cielo	Santro	Sierra/ Estate	Indica	Benz	Opel	Escort	Honda	Lancer	TOTAL
July '99	18407	7503	32	1584	7614	267	35407	1402	1303	497	1300	2438	363	4849	77	4087	36	220	304	850	831	52564
Aug '99	18702	7702	49	1453	7720	243	35869	1330	1305	720	2025	2453	359	7002	80	4537	38	251	300	900	801	55945
Sep '99	18458	7601	54	1521	7114	365	35113	1673	1508	826	2334	2501	365	7214	95	5044	37	309	25	1002	1001	58713
Oct '99	15518	5034	21	1120	6053	270	28014	1310	1525	426	1951	2940	319	6207	60	4744	30	168	180	452	501	46876

in the small and midsize car segments. More importantly, with the reduction in ticket size (price per car), the midsize segment has seen impressive growth, driving the volumes in the industry. Another reason behind Countrywide's smart growth is the reduction in the cost of financing and its facilitation of single-window transactions (dealer–customer interface) through the dealer development network. Both Countrywide and Maruti Countrywide, says Pande, "Enjoy a strong distribution network and together derive 50 per cent of their volumes from direct dealer financing."

16 per cent growth, the Zen 23 per cent, and the Omni 40 per cent over last year in August alone. The entire economy segment has logged staggering numbers, an average of 52,000 units per month (*see chart*). Vehicle sales have boomed in July, August, September, and October – 52,564, 55,945, 58,713, and 46,876 units respectively. Compare that to 28,437 in August 1998. September has seen a further increase. In cumulative terms too there is a 39 per cent increase (April–August) year on year. As against 200,577 units in 1998 during that five-month period, 278,669 cars were sold in 1999.



Gupta says the auto finance industry is feeding off the newly blossoming demand

The car finance industry is running like the hound and hunting like the fox after an inordinately long slump. The reason is very simple – the passenger car segment of the automobile industry is doing rip-roaring business. The months of July, August, and September have seen a 35 per cent month-on-month, year-on-year spurt in demand, the Maruti 800 recording

Stanchart, which has a 7 per cent marketshare, sells approximately 2,000 cars every month through 17 locations. General manager (marketing services) Pradeep Mansukhani says, "Automatically the car finance industry is mirroring the growth trend. Car finance is on a roll as far as volumes are concerned. Moreover, with the advent of new players like ICICI, HSBC, and ABN Amro, the competition is also hotting up. Our margins might be under the cosh, but the customer is getting a good deal." The Maruti 800 remains the fastest-moving car – 18,702 were sold in August and 18,458 in September, but what is pertinent is that the upper tier encompassing the Zen (7,720 and 7,114), Santro (7,002 and 7,214), Indica (4,537 and 5,044), and Matiz (2,453 and 2,501), and the lower tier consisting entirely of the Omni (7,702 and 7,601) are doing wonderfully.

This, according to Mansukhani, is one of the reasons for the growth phenomenon, because till recently there was only the Maruti 800 but now a variety of family cars within the same price band have afforded the customer greater choice. Dipak Gupta of Kotak, which has a marketshare of 15 per cent and does Rs550 crore worth of pure retail finance yearly, reckons that economic activity moves on wheels and the recessionary environment which dogged the auto sector last year has been thrown out of the window. He says, "While a car is still is a postponeable decision in most households, there was a lot of pent-up demand owing to the sluggish economic scenario which has now blossomed in the second half of 1999. The conversion to offtake is primarily owing to the feel-good factor. And interestingly, the non-urban, non-metro areas and mini-metros are contributing to the galvanised activity. There is significant demand in upcountry markets and the auto finance industry is feeding off this." Kakkar concurs, saying that it is the 16 non-top-of-the-line cities that are driving demand.

So how does the car finance industry segmentise itself and who is it targeting? Essentially, four segments – small (Omni and Maruti 800), Class A (Indica, Santro, Zen, Matiz, Fiat Uno), Class B (Cielo, Siena, Ikon, and Accent) and the premium Class C,

which includes the Lancer and Opel Astra. The customer base for the car finance companies is pretty well-defined the traders, who in conjunction with upcountry markets are the new locomotive, contributing as much as 40 per cent of business in 1999, the salaried class, the self-employed professionals, and finally corporates who purchase cars for their employees.

B.K. Vishwanath, head of auto finance at new entrant ICICI, is not only upbeat about the market conditions, but very aggressive in his approach. In a short span of five months the FI's turnover in car finance is already Rs23 crore per month and the avowed aim is to be the market leader in three years' time. "ICICI's thrust on the entire gamut of retail funding and strong credit skills in 13 locations around the country are standing us in very good stead. Customer focus and segmentation are key areas. We are targeting self-employed and corporate sales and have a wide variety of exercises to attract the end user. There's no doubt that this is a volumes-driven game and our private label relationships with Hyundai, Daewoo, Honda, and Ford (the fifth one is being unveiled shortly) are providing the momentum. But the real story is the go-go growth logged by an entirely new segment in the passenger car sector. A conscious shift is taking place from Maruti 800 to the Zen, Santro, Indica, Matiz, *et al.*"

Pande believes that, with the entry of companies like ICICI, the car finance industry will certainly expand the market, especially in smaller locations, which will see an increase in credit-tested customers. Vishwanath feels the honeymoon period in car finance might just begin to flounder once the waiting period for cars is over. Some time early next year, by which time cars will be available off the shelf, the game will be truly afoot. It is only then that a rate and service war will erupt in earnest. Further, he claims that this is when the car finance market will see a rejig.



LAKSHA GOSWAMI

Margins may be low, but the customer never had a better deal, says Mansukhani

One of the severest criticisms of the industry is that many players use strong-arm tactics to protect their investment, resorting to the use of bouncers (read: the modern pathan) to recover their monies in default situations. Citibank's Kakkar believes that this entire thing has not just been overstated but overplayed, the odd case being highlighted by the media. But the fact of the matter is that it is a grim reality – even actor Jackie Shroff's car was repossessed by an NBFC some years ago. Moreover, Mumbai has seen some strange incidents of owner/drivers being hauled out of their cars in the middle of the road by recovery agents, who have then driven the cars away.

Vishwanath says, "My portfolio is still very young, so delinquencies are rare." Mansukhani adds: "The consumer finance business is very much credit-related. We are extremely conservative in our credit norms and the earning capability of the customer is the critical aspect. Since the chunk of our business is lending to small businessmen, we are looking at a very stringent credit-scoring model that includes income tax verification."

Mansukhani says, "I don't know whether these stories that one hears about the truncheon are completely baseless, but we are not exposed to the risk simply because of our very prudent norms." Adds Kakkar, "Creditworthiness and recognition of behavioural statistics are very important. The Citibank model in this derived-demand business has been to invest in technology, distribution, infrastructure, connectivity, reduction of turnaround time, data-mining, innovations, and thorough credit analysis to provide enhanced customer value at all times."

According to Maruti Countrywide's Pande, "Countrywide and Maruti Countrywide have a systematic legal framework in place for recovery of dues which is strictly adhered to. We have a successful system of assessing our customers and are facing no problems on this front."

Kakkar's customers are the manufacturers, dealers, and of course end customers like Kotak Mahindra Primus's. And that is the future in the industry – end-to-end solutions! Since car finance is a volumes-driven business, the margins are cost-plus and yields accrue from the cost of funds

deployed. The key in the new, mature market dynamics is to sell spreads across vast geographical areas and a reorientation which enables relationship marketing to take precedence over everything else. Kotak's Dipak Gupta says that, because the business is so competitive, there is pressure on the bottomline even as the top line is growing. Gupta says, "With dealers mushrooming rapidly and sourcing business increasing, I have to have a presence in the dealership. Further, I am continuing with the direct marketing agents, who are making cold and hot calls. But the key for us is the repeat customer, as I am seen as a stable production shop helping him replace his car (30–40 per cent of my business comes from this segment)."

Gupta thinks the future of car finance revolves around the growth of the Internet, as it will access the customer easily. Pursuing this strategy, GMPL is readying a dedicated portal which will be up and running within the next three months. But both Gupta and Kakkar reckon that it is finance for used cars that will fashion the next big boom in the industry. Gupta says, "We are merely correlating with the rest of the world. Used-car finance abroad is close to 40 per cent of the total portfolio. My contention is that between Rs50,000 (for a two-wheeler) and say Rs2,00,000 (for an Omni) there is nothing available. This huge gap has to be plugged. As against 35 lakh two-wheelers sold, only around 250,000 cars are hawked. We are making a conscious effort to market used cars at all price points."

Kakkar also points out that, with the NBFC shakeout a couple of years ago, the market had stabilised, but now as competition gets to a fever pitch there is every likelihood of yet another shakeout. Which in turn will end with the survival of only the very serious players. Mansukhani says the "feet on the street" are still bringing in the business – it is the dealerships that will determine the future. "Presence in dealerships will become mandatory. Given the fact that dealer margins are also getting squeezed and that they are not making (sufficient) money on car sales, additional products will have to be sold across the counter to open up a new revenue stream. The Western model will have to be replicated where dealers sell multiple products – finance, insurance, and what have you. A new breed of dealers, more aggressive and into extensive retailing, are rewriting the rules of the game. This intermediary will be a very serious player in the future. And that is the reason why car finance companies are courting dealers in a big way; the millennium will revolutionise the concept of car shopping through these dealerships."

But the biggest challenge emanates from tackling the hit on margins due to the practice of subvented rates, even as newer models offer greater flexibility to the customer. Pande says, "Purchase deferrals in anticipation of newer models have seen a large increase in volumes, but increasing competition has considerably reduced the yield per car and rendered auto financing less profitable than earlier."

Interestingly enough, while many



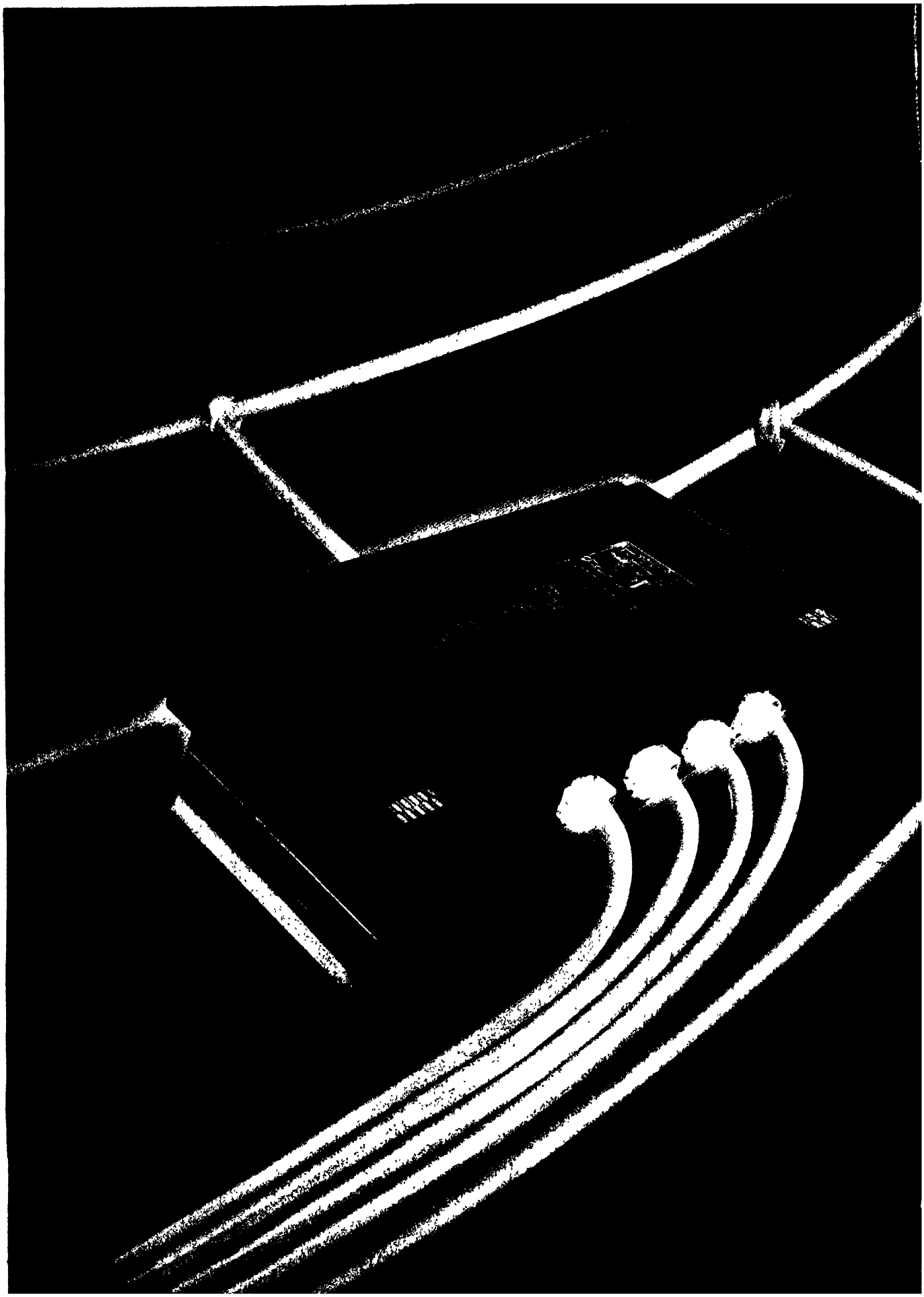
UMESH GOSWAMI

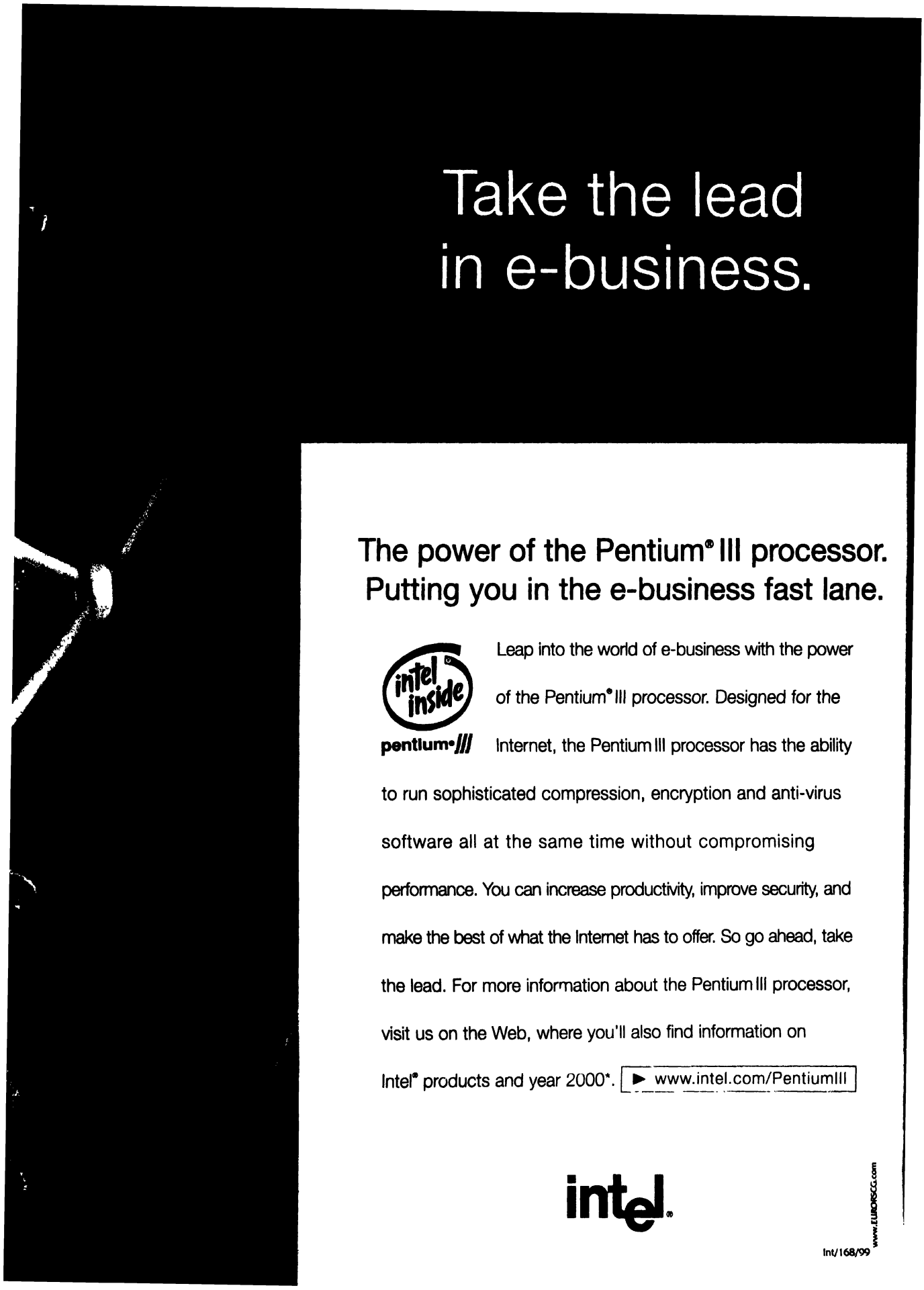
Vishwanath argues that delinquencies are rare

Kakkar also claims that the dealer is a very important constituent in the developing scenario and that is perhaps why Citibank too has ventured into inventory financing. It is now making a concerted move to create a credit bureau so that the process of segmentation and a better history of customers is available at the click of the button. Infotech is helping align the business as modern techniques of sales and distribution are the guiding light. Countrywide, for instance, has leveraged the experience and expertise of its partner GE Capital Auto Financial Services in expedient systems and back office processing capability.

predict the boom to continue unabated, there is already a drop in October offtake, down to 46,876 units from an average of 52,000 cars over the July to September quarter. Caution – speedbreaker ahead! But what might jump-start demand once again will be the launch of Toyota Qualis, an offroader reported to be very competitively priced, Opel's Corsa, and Maruti's Baleno sedan, all three scheduled to be unveiled in January 2000. However, the growth has been in the economy segment, where no new vehicle is to be released!

• SANDEEP BAMZAI





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A new Landmarc

Following the recent rush in the retail segment, the S. Kumars group has chalked out its own ambitious plans

Retailing is the flavour of the month, no question about it. All of a sudden big business houses have discovered what the neighbourhood *bania* always knew and cashed in on: Indians are curious consumers. If not shopaholics, they would be loth to pass a window-shopping opportunity by. Crossroads, Mumbai's first American-style shopping mall, will soon have a companion not too far from where it's located. Coming up quickly is Landmarc Citi, a Rs150-crore leisure and retail complex in central Mumbai. It is spread over a 400,000-square-foot plot, the site of the erstwhile Shree Ram Mills belonging to the Rs700-crore S. Kumars group. About 250,000 sq.ft. has been earmarked for a leisure centre, 100,000 sq.ft. for a multibrand department store, and 15,000 sq.ft. for the food court and restaurants. Landmarc Citi will be launched in phases over the next year beginning February.

The project is being implemented by S. Kumars Infrastructure Development Corp Ltd (SKID), a group company. The company's capital has been raised from Rs15 crore to Rs40 crore by preferential allotment to fund the project. The promoters hold a majority (75 per cent) stake. At present SKID is listed on the Pune Stock Exchange, but is soon to change its name to Landmarc Leisure Ltd and apply for listing on BSE.

The move into leisure and retailing (L&R) makes sense. For one, the group had this massive plot lying idle in the heart of Mumbai after the Datta Samant strike in 1981. And one of the best ways of getting optimum value was to convert the real estate into a business proposition. According to various studies undertaken for the company by KSA Technopak, Mumbai is the best location in terms of revenue generated from shopping and leisure.

"We wanted to capitalise on our vast distribution experience and the credibility and reliability the S. Kumars name enjoys," says Vikas Kasliwal, director of the S. Kumars group, who is leading the group's foray into L&R.

As a group, S. Kumars is not new to retailing. It has a distribution network of more than 250 wholesalers and 30,000 retailers (2,200 authorised) nationwide. And setting up department stores has been one of the group's objectives, says Vikas. But mall management? According to Vikas, company studies showed that a standalone store may not always do well. Integrating shopping with entertainment would make it a destination for the whole family.

Despite its links with retailing, this is a whole new business for the group, traditionally a textile trading house set up by brothers Shambhukumar and Abhaykumar Kasliwal in 1948. The trading activity continued until 1966, when an association with CAFI, a division of ICI, introduced them to branding. A similar arrangement with Madura Mills followed. Over these years the senior Kasliwals established S. Kumars as a strong brandname. It


making the sky the best place on earth
AIR FRANCE

was only in 1976 that the company ventured into manufacturing textiles. An important milestone in the company's history was in 1978, when it bought the sick Shree Ram Mills in central Mumbai and succeeded in turning it around. But the achievement was short-lived — in the early 1980s came the infamous Datta Samant strike.

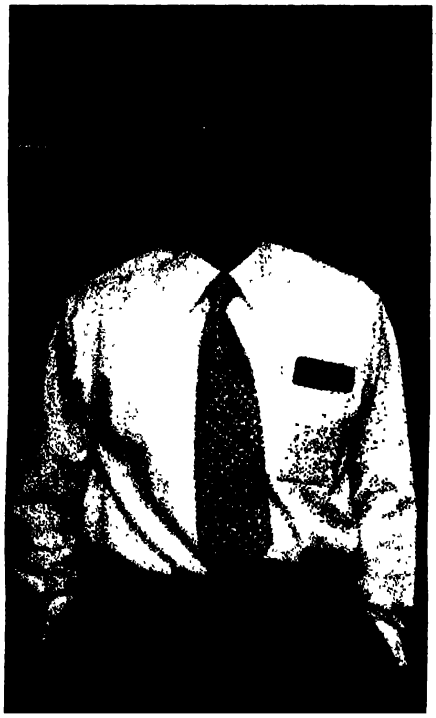
But most of the group's growth has come from the zest of the second generation of Kasliwals. In the 1990s the group diversified into power generation, real estate (35,000 sq.ft. at Shree Ram Mills was leased to Reliance Industries and Sakshi Art Gallery) and finance. S. Kumars Synfabs, with a turnover of Rs387.52 crore, is the group's flagship. Today S. Kumars has manufacturing facilities at 22 locations in the country.

The Landmarc Citi complex is being designed by Singapore-based design firm Total Integrated Development. The 100,000-sq.ft. department store (it has yet to be named) will sell accessories, international and national apparel brands in men's, women's, and children's wear, white and brown goods, and a host of home products. "Today the consumer wants to see everything under one roof. So it is more attractive for us to go in for a multibrand store. A single-brand store restricts both the buyer and the seller," says group director Ambuj Kasliwal.

Landmarc Citi will also feature a supermarket, a pharmacy, and an optician. A 5,000-sq.ft. music store, 2,000-sq.ft. art gallery and an event area to host events like a fashion show, etc. In addition there will be a party room for a capacity of 200 people.

The 250,000-sq.ft. leisure complex has been designed by Italian designer Lucia Pizzini. The concept was chosen after studying various international models such as Universal Studios in Los Angeles and the Trocadero in London. About 11,000 sq.ft. for a thrills-and-chills section that will feature, among other things, simulated rides and an ice-skating rink. Other attractions will include a go-karting zone over 52,000 sq.ft., a bowling alley covering 6,000 sq.ft., a discothèque, and an arena for 20 bumper cars, which will be imported from Europe. For the children's section 12 different games have been slated, as well as a talking tree and a crèche. Both the food court and restaurant will be 100 per cent vegetarian and assigned to independent caterers on a revenue-sharing basis.

Managing a complex this large is a key issue. The retailing side of the business will be handled by Shirish Dalal, who has been with the group for 25 years and is currently a full-time director with SKID. The responsibility for infrastructure development at



SANJAY BORADE

Vikas Kasliwal says the group wanted to capitalise on its vast distribution experience and credibility the S. Kumars name enjoys

Landmarc Citi has been given to Dev Mehta, ex-chairman of BMRDA (Bombay Metropolitan Region Development Authority). Mehta is presently an advisor for SKID. Plans are to set up similar L&R complexes in seven other cities within the next three years.

Clearly there has been an increase of activity in both the leisure and retail areas. In the last one year as many as 14 recreational centres, each with six-lane bowling alleys, have opened up in New Delhi. Mumbai has seen the mushrooming of pool parlours over the last few months. The swanky Bowling Co located in on the site of one of Mumbai's oldest mills, the Phoenix Centre at Parel in central Mumbai, is touted as India's largest family entertainment centre. This 30,000-sq.ft. complex features a 20-lane bowling alley, a large pool room, a video arcade, a sports bar, a jazz café, a child care centre, and a restaurant.

Business houses such as the Tatas, the Piramals, and Rajan Raheja have already made a foray into the retail industry. However Jaydev Mody, who heads Piramal Holding Ltd, the company that runs Crossroads, says: "The retail and entertainment business is not as easy as it seems and there are bound to be many fallouts along the way." A minimum investment of Rs100 crore is necessary for a successful, high-quality project, though there are instances where costs have been diluted by the time the project is actually operational and the quality of the product has suffered owing to budgetary constraints, he adds.

Vikas expects the complex to be profitable very quickly. It is the dynamics of both the leisure and retail business itself that make him confident — both businesses have different curves. In the leisure business, the best returns are got at the start because of the novelty of the thing. As the novelty wears off there is a decline in revenues. Hence it is necessary to continue innovating and coming up with new attractions to get the crowd moving. On the other hand, the retail business works in exactly the opposite manner. You start with low revenues and, as people get convinced and comfortable with the product, buying increases. Another factor to be taken into account is that the leisure business is an instant cash business. And 60–70 per cent of Landmarc Citi area-wise comprises the leisure business, the remaining 30–40 per cent being retailing.

Plans are to take Landmarc Citi national and set up similar L&R complexes in seven cities within the next three years. Of course, with the recent rush into retailing, there is a real danger of overbuilding. In which case this new flavour of the month may end up leaving a bad taste in some venturesome mouths.

◆ BHAKTI CHUGANEE

Turning up the heat

Multinationals are looking at Pune as a base to set up shop in India. Enter, MTS

First came the Germans, the Swedes, the British and the Americans. Now, it's the turn of the Italians. Pune is fast emerging as a location of choice for multinationals. Following Mercedes Benz, Tetra Pak, Cummins and Whirlpool, all of whom have well-established manufacturing units in and around Pune, are a clutch of Italian majors. Fiat has acquired a few hundred acres of land at Ranjangaon on the outskirts of Pune, where it will set up an automobile plant. Piaggio has already established a Rs65 crore three-wheeler manufacturing factory at Baramati near Pune, with its corporate headquarters located at Pune.

The latest entrant is Merloni Termo Sanitari SpA, part of the $4 billion Merloni Group, an Italian white goods maker. Earlier this month, Merloni Termo Sanitari (MTS) India Ltd, a 100 per cent subsidiary of MTS Italy, inaugurated its spanking new factory at Chakan, 25 km from Pune. This hi-tech facility built at an investment of Rs30 crore, will manufacture, for starters, a wide range of world class water heaters. It was inaugurated by Manohar Joshi, Union minister of heavy industries in the presence of Francesco Merloni, president, MTS Group, who flew down from Italy for the occasion.



PHOTOS: PRAKASH JADHAV

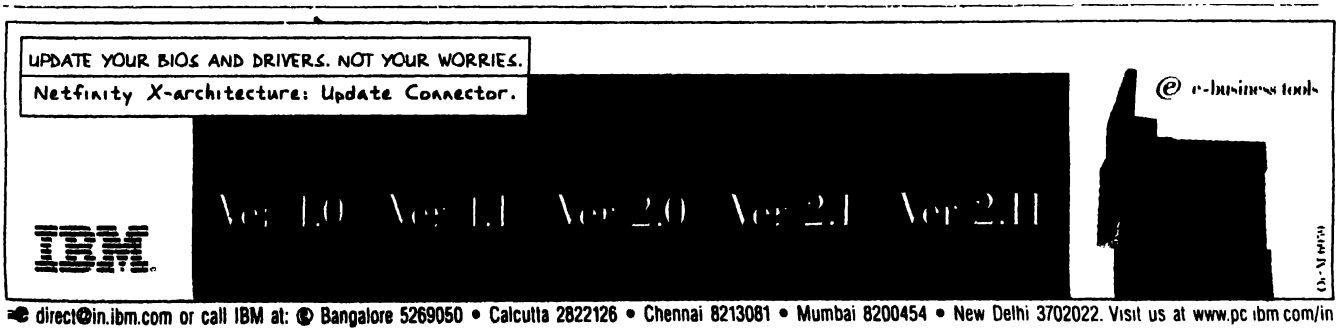
Rathi, Merloni and Fedeli's ambition is to rake in Rs200 crore in three years

The MTS Group is a world leader in bathroom appliances and manufactures a wide range of water heaters, bathtubs, shower boxes, saunas, whirlpools, producing over 4.2 million units every year. It's better known by its flagship brand, Ariston, the largest selling brand of water heaters in Europe, with a substantial marketshare of 36 per cent. MTS also has 12 other brands that it sells in over 154 countries worldwide. "In fact, we are the largest manufacturers of water heaters in the world, with 15 manufacturing plants worldwide, including the new one in India," claims Merloni.

Actually, MTS made a quiet entry into the Indian market some time ago when it bought a 74 per cent equity stake in the Pune-based Racold Electricals & Appliances Ltd in January 1997, renaming the company MTS (India) Ltd. Shortly thereafter, it acquired the remaining 26 per cent stake. Astutely, MTS did not dump the Racold brand in favour of Ariston. Explains A.K. Rathi, managing director, MTS (India) Ltd: "Since Racold was the strongest brand of water heaters in India, it made sense to continue with the same brand name."

Where the Italian expertise came in was in revamping the manufacturing technology and upgrading the product to meet international standards. In November 1997, MTS launched the Racold Eterno brand, which had been designed for the Indian market with a specific energy saving feature. "We were also the first to introduce PUF (polyurethane foam) insulation and a rustproof polypropylene body. Our water heaters not only look sleek, but are also, by far, the most energy efficient, durable and highest in safety standards compared to any other heater in India," boasts Rathi.

Another first was providing a stainless steel inner water container in the heater. This scores over copper containers that other heaters have. Since stainless steel has a greater tensile strength than copper, it can withstand higher water pressure, making it that much safer. Also, stainless steel is more resis-



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tant to corrosion and scaling, common in India's hard water conditions. "Moreover, copper inner vessels have to be welded manually and therefore do not lend themselves to mass production techniques and consistent quality. Whereas, we weld stainless steel inner vessels on fully automatic plasma welding machines, which give a superior and consistent quality of welds," explains Rathi. Furthermore, Racold Eterno water heaters have imported thermostats and cutouts (safety devices) which ensure that the product conforms to international safety standards.

This product rejig has paid off. Sales of Racold Electricals and Appliances Ltd in 1996, before the MTS takeover, were Rs12 crore. In calendar year 1997, following the takeover in January, sales were up 50 per cent to Rs18 crore. The next year was even better with sales touching Rs30 crore. Last year, MTS (India) sold over 100,000 units and Racold Eterno water heaters gained a dominant marketshare of 28 per cent. That makes Racold a clear number one followed by Bajaj Electricals (19 per cent), Venus (16 per cent), Spherehot (15 per cent), Crompton (10.5 per cent) and Usha (9 per cent) in the organised sector. Of these, only MTS, Spherehot and Venus manufacture as well as market their own products. The rest source water heaters from a third party and then market them under their brands.

Having gained a firm foothold in the Indian market, MTS, which had been so far using the manufacturing facilities of the erstwhile Racold, decided to up the ante on its Indian investment with a new factory. Located on a 20-acre plot at Chakan, it has a capacity to manufacture 250,000 units per annum. Says Valerio Fedeli, CEO, MTS worldwide: "This marks the completion of the first phase of our India plans. We will use this world class facility not only to further penetrate the Indian markets, but also as an export base for the fast-growing Asian markets." Exports have already commenced from this new plant with the first trial consignment of 2,000 water heaters bound for Malaysia flagged off by Francesco Merloni. MTS (India) plans to export over 10,000 water heaters by this year end.



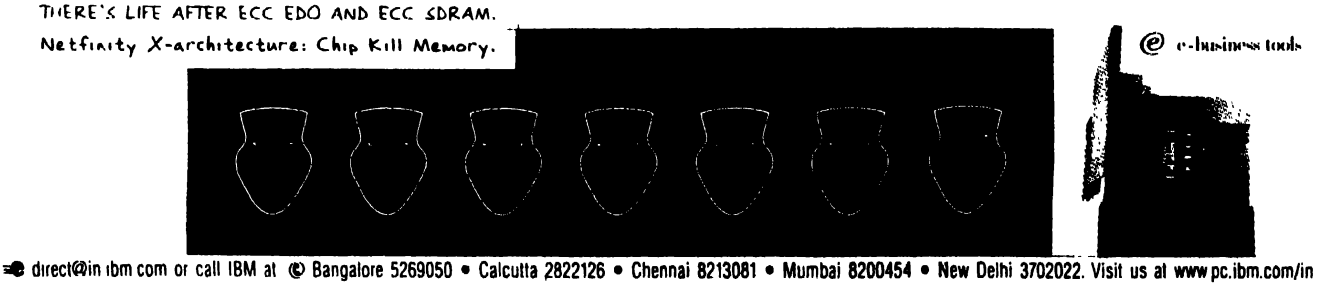
The MTS Group is a world leader in bathroom appliances

The target for the domestic market is an ambitious 120,000 units – a 20 per cent growth over last year. Argues Rathi, "The overall market for water heaters is growing by just 6-7 per cent, whereas we are growing by over 20 per cent annually. As a result, our marketshare has gone up from 28 per cent last year to 32 per cent currently. We are targeting a marketshare of 40 per cent in the next two years."

And what of Ariston? Naturally, big plans are in store. This world famous brand debuted recently with instantaneous gas heaters targeted at restaurants, hospitals and commercial establishments. The lowest priced model in the Eterno range costs Rs1,990, while the highest priced Ariston model costs Rs10,990. According to Fedeli, by next June, MTS will launch India's first branded solar water heater. There is no big player in the solar water heater segment which is dominated by small scale manufacturers. And the market for solar water heaters, according to MTS's estimates, is growing at a rate of 30-40 per cent. In the next six months, they will launch a solar water heater of 80-100 litres capacity, costing about Rs15,000. The break even for solar heaters would be around 6,000 units per annum, translating into a turnover of Rs10 crore. Fedeli is confident of achieving that in the launch year itself.

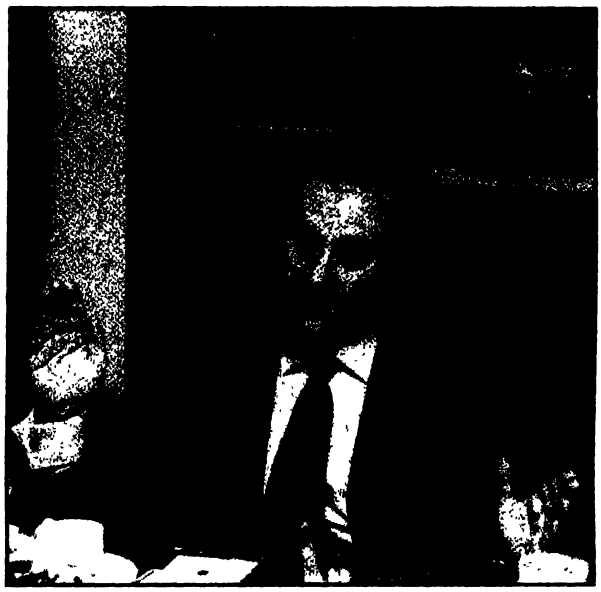
Once the heater market is taped up, MTS will step into air-conditioners, though Fedeli admits that "we are still studying the market". According to his estimates, the total market for small air-conditioners (below 3 tonnes) in India is some 450,000 units or Rs900 crore per annum. The launch of air-conditioners will mark MTS's entry into the field of white goods which has proved to be quite a minefield for other big-brand multinationals. With its ambitious goal of becoming a multi-product company racking up a Rs200 crore turnover in three years, this Italian will have to tread carefully.

• ROOP KARNANI



Counting on the Ikon

Jac Nasser, who took over as president and chief executive officer of the $143-billion Ford Motor Company last January, has launched an aggressive campaign to shake up the stodgy car maker and transform it into an agile, consumer-oriented powerhouse. The Lebanese-born, 51-year-old chief executive, who has spent 31 years with Ford, is determined to make it one of the best global companies. He was recently in India to launch the Ford Ikon, a car specially designed for the Indian market. Between launching the car and meeting the Tamil Nadu chief minister in Chennai, he took some time off to discuss with *Business India* his views on the Indian market, WTO and the future of the global automobile industry



PHOTOS: S RAMESH

Q Why have you decided to position yourself in the mid-size car segment in India when the fastest growth is in small cars?

A When we looked at the Indian market it would have been probably natural for us to come into the largest segment. The question we asked ourselves is: what would we be offering that was really different in that segment from a consumer viewpoint and not from an ego viewpoint? The answer: probably very little. So we stepped back and asked ourselves again – in terms of product, technology, in terms of concept, where do we have the most to offer? We felt the Ford Ikon was the best answer. It is a product which really deals with that segment in a different way from a demographic viewpoint and from a product positioning viewpoint. It has considerable amount of Indian input in its design, packaging, engineering, durability and robustness. We have differentiated ourselves from other competitors in this segment. We have looked at giving the customer the best value. Maybe we are wrong. But I don't think so. Time will tell.

Q Will you be considering the Ikon for the export market?

A There are two different factors. We will look at exports but they will be in relatively low volumes. In most countries where there is reasonable volume, there are import restrictions and high duty levels. If I were to think about the potential areas of export, I would look at probably some components and some of the systems. I believe that India has the manpower and also a lot of brain power. For the 21st century we should be looking at India as a centre of excellence for any of the service industries that are being developed. For example, we have set up a central accounting system here in Chennai that is an indication of the type of value export in the 21st century which is going to be very important for the development of India.

Q Is that the competitive advantage you see in India?

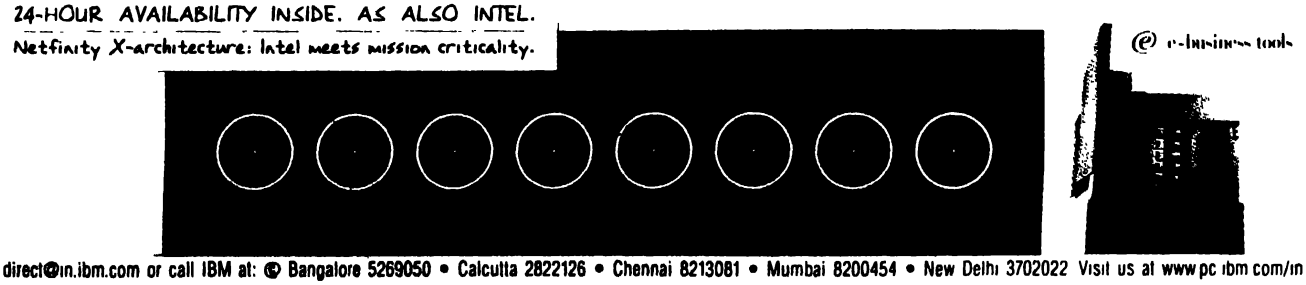
A I think so. As the volumes increase, then you can start looking at the export of vehicles. This is an industry where economies of scale are very crucial. Until you reach a certain level of volume of internal production, it is going to be difficult to be competitive.

Q What about the component sector? Component manufacturers feel that while a lot of other major manufacturers are looking at global sourcing, Ford has not been so serious about it. How do you react to this?

A I would say that is probably correct. A bit harsh, but probably correct.

Q Is it because you think their quality and reliability don't meet your standards?

A No. It is just a question of what stage we are at in terms of our development. We would not be here, producing a vehicle that is largely unique to India, unless we felt that this country had good, long-term



potential for the development of components, systems and production. It is a question of what our priorities are. At the moment, it is to give the Indian consumer the best possible product, to develop the market, build the supply base and develop the volume and efficiency around this product. Once we have done that, we go on to the next step. I don't know what our competitors have really done in terms of exports of components and vehicles. We would prefer to do more and talk less.

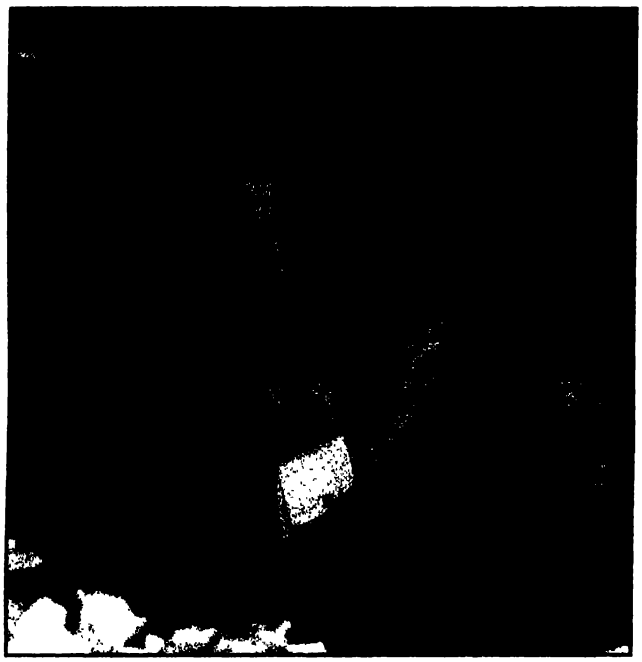
If you were to write about Ford Motor Company in terms of adventure factor, in terms of developing supplies around the world, I would say we are at the leading edge. We are very careful about how we do it because we do not want to get a reputation that is difficult to wear down. We develop the supply base, we help the supply base, we invest in it and we work on it.

Q If you are a long-term player in India, why are you not investing in an engine shop and transmission line? Won't that cut down your costs?

A We will do it ultimately. It is a question of scale. When you are starting, the biggest investments are, of course, engines and transmissions. Those engines and transmissions must have some level of volume capability. The facilities that are required to make them are only productive at certain volume levels. We could bring in engine components and transmission components and pretend we were manufacturing them. That is not what we want to do.

Q You are shaking up your entire supply chain by setting up the Auto Exchange with Oracle. How will it impact Indian suppliers?

A It is a virtual supply system which is very transparent. It is a very nimble supply chain. It deals with supplies worth $300 billion. It could help the Indian supply base in many ways. It places a premium on suppliers that are Internet capable and, I think when you look at the software capability in India, the Indian supplier is in an advantageous position. Secondly, it enables every supplier to really share in the economies of scale and volume benefits of that supply chain. As Indian suppliers are probably at the low end of the economy of scale measurement system, they have a lot to gain. Thirdly, there is potential for incredible growth for good suppliers



because you have got a local industry that is growing and has initiative and intelligence. You have now got the cyberworld connecting with the nuts-and-bolts world. India is in a wonderful position to be a part of that. It is actually better for India than the old regime where it is essentially mass production driven by high asset intensity, high levels of investment and very little connection to lower volume software capability.

Q How would Ford India react to India opening up to automobile imports, especially used car imports?

A We would not be concerned about an open market as it relates to new vehicles and in the long-term that would be right for competitiveness. It is good for consumers. However, it should be followed by two requirements. First, you need stability. You can't have an open market, a shut market, or a semi-open market. Second, if you open your market, you need to make sure you are competitive. That means workforce, education, training, infrastructure, cost of power, logistics, transportation, port facilities – all these have to be competitive. A recipe for disaster is an uncompetitive, open market.

Used vehicles are a different question. I think they are a disease. If any country wants to be the junkyard of another country's consumption – it isn't about fair trade, and it isn't about open trade. Why stop with used cars? Why don't you import used clothes, used washing machines, used everything. Is that what a society is all about?

Q Where do you think the automobile industry is heading in the next 10 years?

A I think there will be major change and there won't be major change. We will have the best of all worlds. I think there is going to be wide variety of choices – which is great. Last week, I was launching the Think City, a small electric vehicle, in Norway. And now here I am in India launching a new generation vehicle with the latest technology of internal combustion engine, in this case, also diesel engine. By 2003, we will have limited volume of fuel cell vehicles. The future will see a wide variety of different propulsion systems. Each one will be designed for a specific lifestyle usage. There is not much point giving a Think City electrical vehicle to someone who is going to be hauling cargo.

I think the biggest technology change is going to be in telematics and the communication inside the vehicle, where people will start using it to connect with the world. The computer power in the vehicle is today greater than the computer power of the satellites which landed on the moon. There is going to be so much more variety in the shape of vehicles based on your personal transport.

• SUSHILA RAVINDRANATH

Business India

SUPER 100

CONTENTS

Overview 80
100 Ranking 84
[illegible] 87
[illegible] 88
[illegible] 94
[illegible] 97
[illegible] 103
Fastest Growing Companies 106
Creditworthy Companies 108
Cost-conscious Companies 110
Return to Shareholders 112
Wealth Creators 114
Alphabetical Index 118
Notes 122

A Business India Infoline STUDY

OVERVIEW

India Inc in for good times

If big is beautiful, enormous should be stunningly gorgeous. But size for size's sake may lead to obesity. As Peter Drucker, management guru once said: "Growth that adds volume without improving productivity is fat. Growth that diminishes productivity is cancer." And Corporate India has come to terms with that. A tight grip on cost is high on its agenda and those that have not shaped up have taken a few knocks.

As they say, adversity brings out the best in better companies and this time's *Business India* Super 100 study bears that out. The aggregate sales of the 258 companies looked at shows a topline growth of 12.8 per cent over last year. No great shakes, some may say, if one considers the growth rate *vis-a-vis* the rate of inflation. But hold it. To grow from last year's growth level of about 8 per cent to the one notched up this year takes a lot of doing, especially in a time of economic slowdown. India Inc has done well on that front.

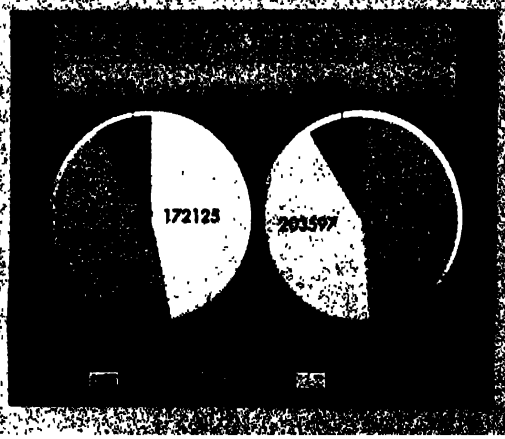
However, if one takes a look at the break-up of the three broad groups – public sector, private sector and multinationals – one is in for a surprise. All praise to none other than the public sector. The rates of growth clocked by multinationals and the private sector got dwarfed in comparison with the growth rate of 21.5 per cent achieved by the PSUs. Private sector growth rate in sales has halved from 10 per cent last year. As for the MNCs, they have maintained the growth rate of 9 per cent.

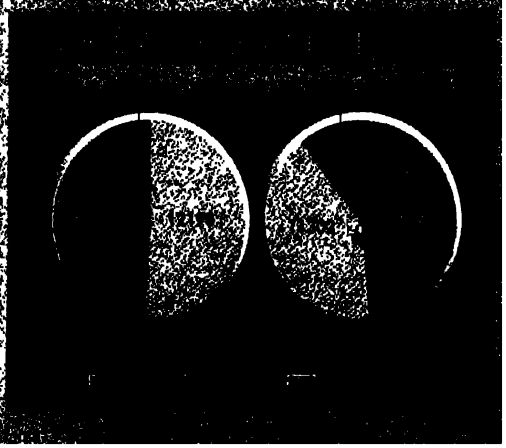
While revenues have been up during the year, the bottomline has taken a beating. The aggregate profit of the 258 companies stands at Rs23,178 crore — down 3.3 per cent. Last year while revenues were down, profits increased by about 8 per cent. This, according to analysts, was mainly due to the non-recurring income arising out of disinvestments. This time, there is a diversity in profitability of the three groups. While PSUs saw their bottomline erode to the extent of 7.3 per cent, the private sector too slipped 3.8 per cent. However, the MNCs made up for this drop by posting a 23.8 per cent jump in bottomline.

The erosion in the bottomline of Corporate India was largely because the margins came under pressure. The slowdown in the economy witnessed in the past couple of years led to sectors such as cement and steel and other commodities being hit. This period was utilised by many a corporate to take a relook at their businesses. This was necessary. For the high growth rates in sales and profitability witnessed in the early 1990s and the buoyant stockmarket fuelling the urge of promoters to think big led to a situation of mindless expansion and diversification.

With the slump in exports and scalding competition not only from the domestic players but also international ones (since the economy was thrown open), the slowdown in the economy set in. The commodity downcycle had also begun. With fragmented capacities within one group, a rule of the license raj, turning out to be uneconomic minimum sizes, there was an urgent need for consolidation of capacities. This could not be done through acquisitions. Therefore, instead, they had to [illegible]

The past couple of years were full of trepidation. During the year though turnover was up, profits slipped. But there are signs of corporate India putting up a good show in the year ahead





marathon runners on the corporate field do a refig by getting out of non-performing areas of business (Voltas is a classic case here) or consolidate their positions by acquiring capacities (Grasim taking over Indian Rayon's cement capacity). Others hit by the commodity downcycle managed to keep their head above the waters playing the volumes game (Reliance is a master at this) or by cutting overall costs by increasing efficiency.

Financial institutions on their part are helping out some of the larger corporates to unlock values which are lying unused. Within their portfolio of clients, they are increasingly convincing the promoters on what assets to sell or acquire to remain in business. Newer forms of financing asset acquisition is also taking place: institutions are willing to fund; dedicated restructuring funds are also being talked about. Besides, if an acquirer thinks it makes business sense to take over an asset but cannot do so for want of money he has the option to use the equity in his existing company in lieu of cash.

The asset restructuring exercise is going to continue as several Indian companies are refocusing their business. The Tata stable company Voltas, for example, has finally decided to exit from all businesses and concentrate on air-conditioning and its refrigeration capacities will be used to execute job work for new entrant multinational white goods makers.

In all the asset creation or 'strategic depletion' (and not through asset-stripping as was the case earlier) that the current *Business India* study threw up, the churning largely centres around the private sector. The story goes to show how even the public sector, mired in the [illegible] is willing to

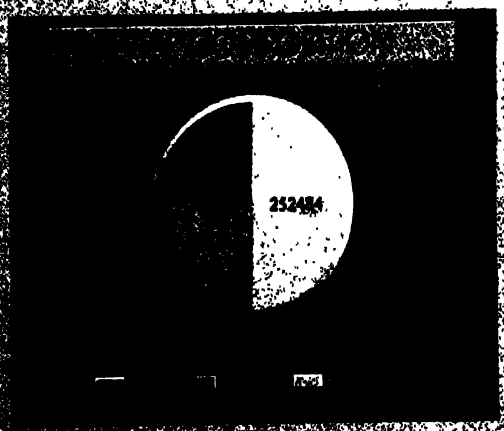
really bad for the company. In profit ranking it dropped from 8th position in 1997 to 36th position in 1998 to 256th this year. It bags the dubious distinction of being the 3rd highest company to have received a pounding on profitability. The company incurred a loss of Rs1,600 crore. Now what is the use of having such a high asset base which is not at all productive. The business and financial restructuring recommended by both McKinsey and IDBI, has only recently got the in-principle approval. Till such time the Cabinet gives its go-ahead it will continue to bleed and profusely.

Corporate churning is bound to continue. Cost cutting through better financial management and increased efficiencies will be high on the agenda. Those who have already embarked on such an exercise may be seeing the fruits of it. A peek at the half yearly report cards of corporates indicates that the recovery has already begun. According to a study done by the Centre for Monitoring Indian Economy (CMIE), sales have registered an 18 per cent rise over that of last year and post-tax profits have picked up by 8 per cent. The major driver has been the manufacturing sector which recorded a growth of 21 per cent in the second quarter compared to 15 per cent in the preceding quarter.

Sectors such as cement, steel, aluminium, automobiles and petroleum have shown good growth rates. Consumer durables have been faring well and prices of intermediate commodities have begun to look up. According to the CMIE study, exports have begun picking up and the balance of payments situation in the first half of the current year are better than the corresponding period of last year. Clearly the year ahead seem to be an exciting one.

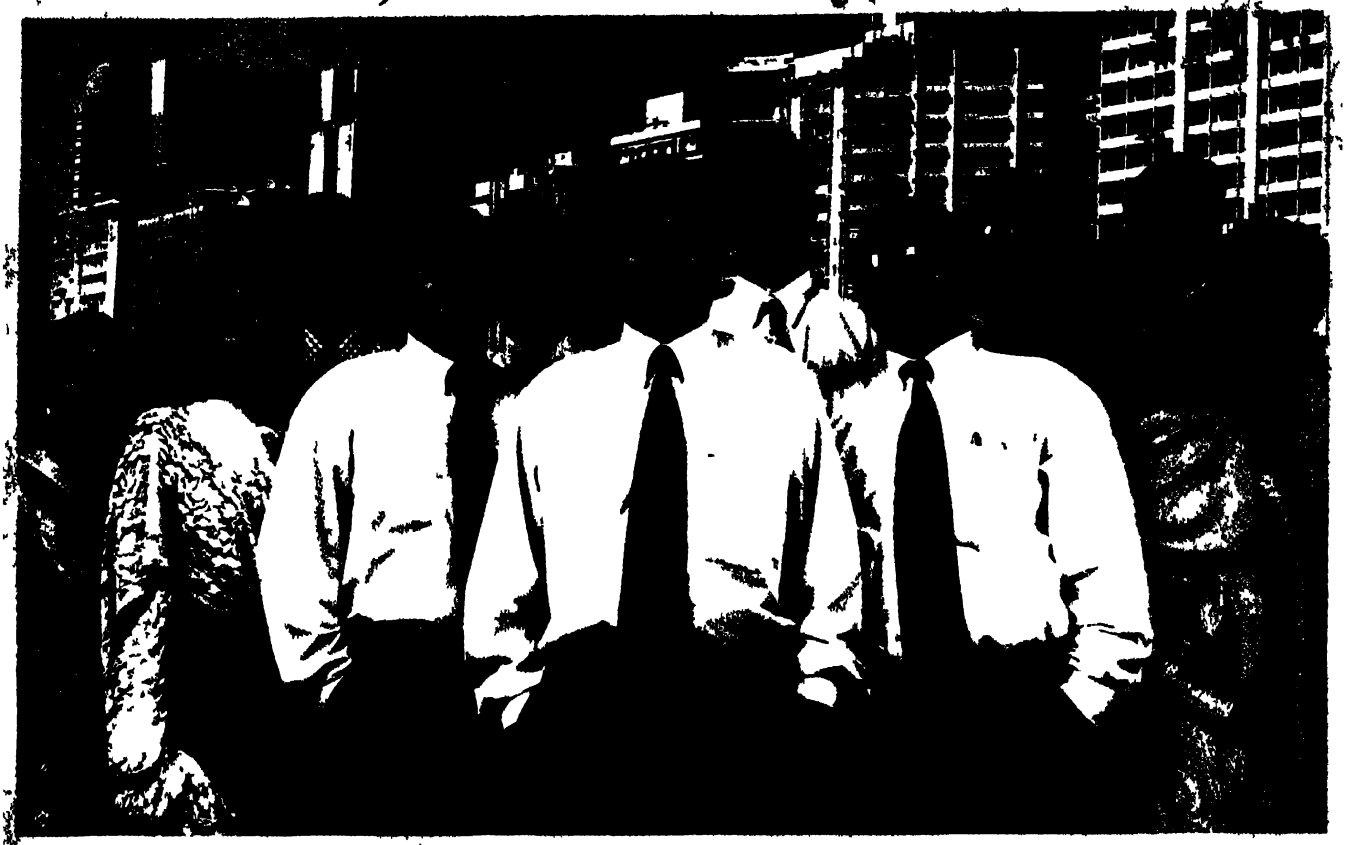
Beyond the hardcore numbers and trends, one question that can be raised about the Super





Corporate churning is bound to continue. Cost cutting through better financial management and increased efficiencies will be high on the agenda

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100 rankings is the way the investments of the stockbrokers, which are frequently reports of newsprint loss, do not necessarily figure amongst the hallowed few. Nor is it part of the universe of companies at all. One reason is because it falls on the turnover count (only companies with sales of more than Rs275 crore were considered). But Infosys, which should become the first Indian scrip (Rs10 face value) quoted at more than Rs10,000 (before the stock split into Re1 face value shares), has a lowly ranking of 66, up from 143 the previous year. Satyam is 98 and others of its ilk are even lower down.

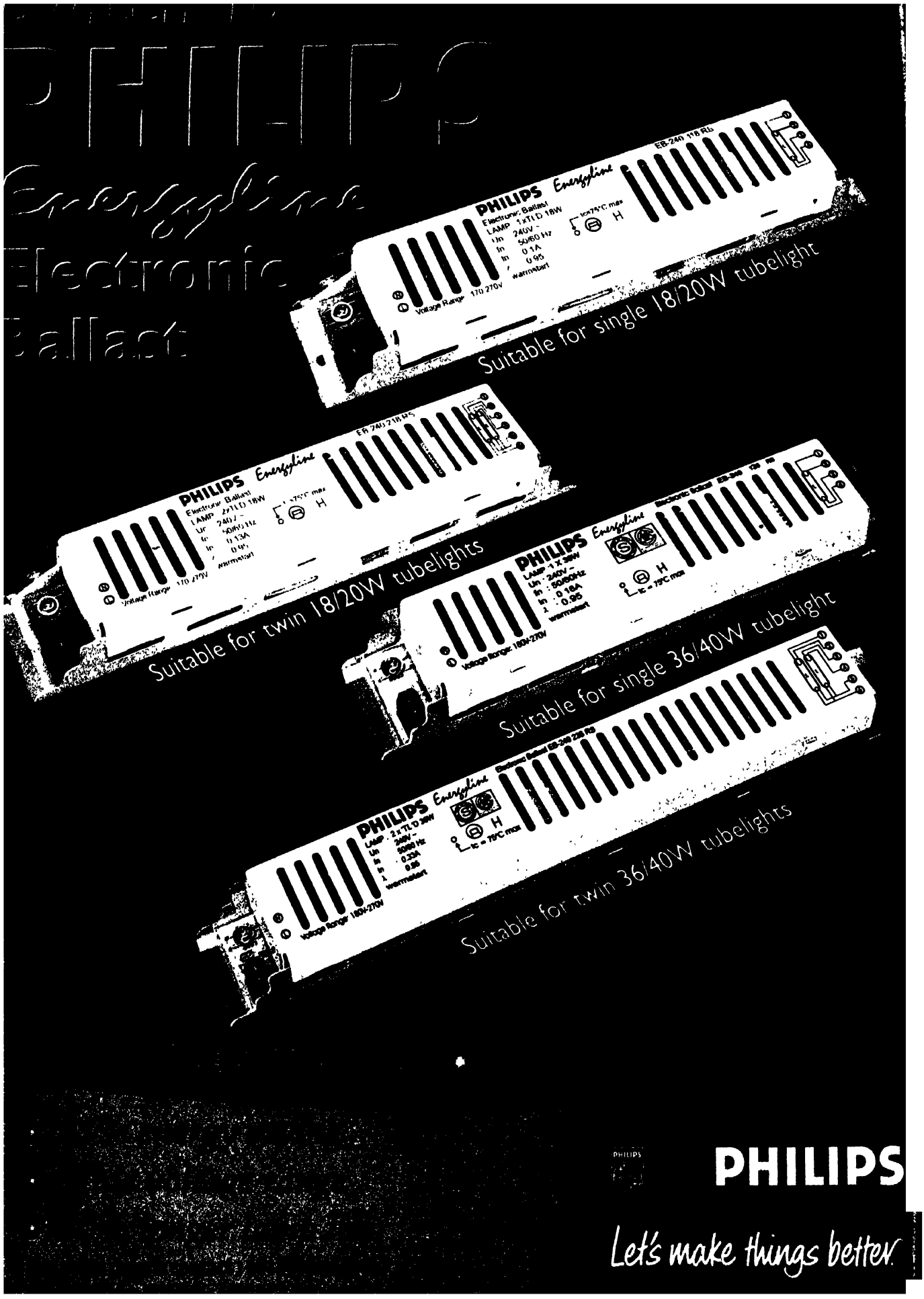
The main reason for this is that the stock-market looks at the future, the price of a scrip is based more on expectations than past performance. The balance sheet numbers, on the other hand, are historical data, based on the status on a particular day. (It should be mentioned in this context that this "particular day" is increasingly getting distanced from the day of the market price calculations [12 November, in this case]; despite the Securities & Exchange Board of India cracking the whip and insisting on quarterly results, some companies which may otherwise have figured in the extended list did not have their balance sheets ready. Some have extended their accounting year, possibly because they have not been doing too well, while others are still tallying the numbers.)

These truants will hopefully reduce in number. But, to get back to our original question: has the time come to abandon parameters such as sales and assets for market capitalisation alone? Not really. That would make sense if the market was assumed to be absolutely rational and fully informed (something that several economists do take for granted). In that case, the market price would be an accurate barometer of the performance of a company. In reality, the market is very imperfect. Even if one were to assume that it behaves rationally in terms of the overall direction, individual scrips are more prone to moving along with a rumour or event (perhaps the [illegible] of a market operator, South [illegible] Common [illegible] Infosys [illegible] [illegible] [illegible]

THE SUPER 100 RANKING

1	ONGC	15796	4	2769.6	1	26314	1	51630	2
2	IOC	64729	1	2218.2	2	15166	4	21991	5
3	RELIANCE INDUSTRIES	13231	6	1703.6	3	10396	3	21663	6
5	MTNL	5259	14	1288.3	5	5357	8	11482	10
4	GAIL	6825	10	1048.3	6	5674	7	6908	15
6	HPCL	24190	2	901.3	7	4956	11	6565	18
9	LARSEN & TOUBRO	6993	9	389.6	15	4556	13	10157	11
8	TISCO	5742	12	397.6	14	7059	5	8200	20
11	VSNL	7176	8	1376.1	4	1776	34	12920	8
7	BHARAT PETROLEUM	21780	3	684.6	9	3789	17	4590	26
13	HINDUSTAN LEVER	9727	7	637.4	8	1054	53	51336	1
15	HINDALCO INDUSTRIES	1912	33	566.8	12	3577	18	6312	17
14	ITC	3637	18	623.4	10	1234	46	18686	7
21	GRASIM INDUSTRIES	3867	16	163.8	28	3377	19	4173	30
16	BHEL	6777	11	243.6	19	1136	50	6611	16
20	BSES	2349	25	270.2	17	2074	27	2272	44
25	BAJAJ AUTO	3342	20	540.5	13	922	58	4997	22
19	NEYVELI LIGNITE CORP	1837	36	589.7	11	2884	20	2156	47
17	NATIONAL ALUMINIUM	1577	45	244.0	18	2759	21	3702	32
23	MAHINDRA & MAHINDRA	3571	19	228.6	20	1099	51	4236	28
30	STERLITE INDUSTRIES INDIA	1848	35	160.8	29	1791	33	1779	56
79	ACC	2399	24	56.8	76	1895	31	3552	33
26	COCHIN REFINERIES	4267	15	336.2	16	1188	49	920	85
41	INDO GULF CORP	1490	49	164.0	27	2013	29	1585	65
32	GUJARAT AMBUJA CEMENT	1089	70	150.5	32	1460	42	4212	29
33	RANBAXY LABORATORIES	1431	50	156.0	30	614	84	11512	9
34	WIPRO	1804	37	170.2	25	414	109	25795	4
40	NIRMA	1275	57	170.9	24	975	54	2542	41
22	TATA CHEMICALS	1395	51	189.8	22	2036	28	1036	78
18	IPCL	3177	21	38.2	121	6131	6	2616	40
31	MADRAS REFINERIES	3767	17	204.9	21	1226	47	859	103
35	RCF	2062	30	106.3	48	999	61	1026	80
29	TATA POWER COMPANY	1269	58	185.8	26	1371	45	814	92
36	VIDEOCON INTERNATIONAL	2284	27	150.9	31	1410	44	445	119
28	GSFC	1977	32	138.7	36	2152	25	358	131
24	NATIONAL FERTILIZERS	2322	26	51.8	83	1463	41	1030	79
39	NESTLE	1545	48	88.2	55	400	110	5013	21
42	NAGARJUNA FERTILISERS	1241	60	143.7	34	1753	35	598	114
64	HERO HONDA MOTORS	1550	47	121.3	42	309	132	4713	23
38	GREAT EASTERN SHIPPING	981	83	126.4	40	1711	37	951	107
46	MRF	1786	39	102.2	52	496	94	926	83
27	INDIAN RAYON	1393	52	106.0	49	1069	52	499	116
52	BPL	1766	38	102.5	50	469	101	894	86
10	TELCO	5718	13	-4.9	228	4045	16	6359	19
47	RAYMOND	1297	56	86.6	54	936	56	1369	111
44	CHAMBAL FERTILISERS	802	106	146.5	33	1981	30	978	109
66	TVS SUZUKI	1329	54	62.1	56	946	115	1024	61
12	SAIL	13809	5	-1557.0	258	6999	2	4999	25
50	INDIAN ALUMINIUM	1034	76	78.6	69	799	67	1000	97
51	HINDUSTAN ZINC	1173	66	79.1	58	1000	77	1000	100

66	CONTAINER CORPORATION	719	121	141.1	35	451	108	2171	45
49	MOTOR INDUSTRIES	1225	62	52.9	81	369	119	2941	51
87	MRPL	2606	22	14.1	179	4360	15	736	98
63	CASTROL INDIA	948	86	178.4	23	157	182	4631	24
59	TATA TEA	874	99	128.8	39	286	139	2645	39
67	ASHOK LEYLAND	1854	34	20.4	161	955	55	1298	71
48	SPIC	2433	23	50.8	84	1416	43	196	173
56	GUJARAT NARMADA VALLEY	1131	69	77.7	60	776	65	345	134
55	INDIAN HOTELS	623	137	119.7	43	467	102	1723	58
62	ISPAT INDUSTRIES	1301	55	25.1	152	5263	9	347	133
72	ASIAN PAINTS	910	90	69.8	67	301	135	1801	64
69	PUNJAB TRACTORS	970	85	125.8	41	153	183	2080	49
57	ESCORTS	1137	68	32.1	130	535	90	1152	73
58	EIH	476	178	96.4	53	924	57	1048	76
82	DABUR	901	92	49.7	86	239	153	2765	38
113	JAIPRAKASH INDUSTRIES	937	87	32.7	128	802	64	835	90
110	PENTAFOUR SOFTWARE	531	159	119.1	44	319	129	2778	37
54	ANDHRA VALLEY POWER SUPPLY	762	113	102.5	51	827	63	297	143
61	COLGATE PALMOLIVE	972	84	45.7	95	226	156	3182	35
90	CIPLA	616	138	115.0	46	145	188	7676	14
77	AHMEDABAD ELECTRICITY COMPANY	882	97	45.1	97	742	66	378	129
84	BHARAT ELECTRIC	1219	64	53.6	80	215	160	600	108
53	OSWAL CHEMICALS	733	118	29.1	140	2100	26	393	128
136	USHA BELTRON	781	108	42.6	100	671	75	377	130
105	ADANI EXPORT	2189	28	67.3	69	36	250	1435	69
65	ASEA BROWN BOVERI	993	94	37.7	112	220	158	1925	53
37	FACT	1248	59	-54.4	244	880	60	1809	55
81	APOLLO TYRES	903	91	40.0	106	358	120	639	105
60	JINDAL STRIPS	1037	75	37.4	116	909	59	198	172
111	EXIDE INDUSTRIES	648	131	41.2	104	438	107	944	81
98	BRITANNIA INDUSTRIES	1015	77	39.8	109	135	195	2376	43
75	CUMMINS INDIA	892	130	74.8	62	147	186	2162	46
85	DUNCANS INDUSTRIES	1056	73	76.9	61	619	83	97	207
43	ESSAR STEEL	2134	29	-496.5	257	4638	12	405	126
128	GLOBAL TELESYSTEMS	540	153	63.2	71	279	143	1775	57
143	INFOSYS TECHNOLOGIES	513	165	137.2	37	101	219	26669	3
71	NATIONAL MINERAL DEV CORPN	777	109	133.7	38	478	99	173	180
114	ITI	1629	44	32.3	129	315	130	406	125
123	GUJARAT INDUSTRIES POWER	428	192	54.4	79	1715	36	428	122
70	PHILIPS INDIA	1041	43	42.7	99	192	167	435	120
80	CENTURY TEXTILES	1077	31	-91.3	249	1885	32	457	118
99	NOVARTIS INDIA	734	117	74.7	63	97	221	3785	31
86	GLAXO	781	114	67.1	70	92	224	4405	27
131	MADRAS CEMENTS	549	162	38.9	107	660	79	872	87
45	ARVIND MILLS	983	82	14.5	177	2251	22	239	159
135	SOUTH INDIA CORP	1731	41	23.9	155	213	162	930	82
102	NIIT	626	183	108.4	47	127	199	9844	12
149	SATYAM COMPUTER	870	217	72.8	64	248	149	8748	13
159	FINOLEX INDUSTRIES	535	160	48.0	90	620	82	550	113
93	CROMPTON GREAVES	1000	46	23.1	158	475	100	876	149


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OIL & NATURAL GAS		8607.1		1507.7
INDIAN OIL CORP		40937.0		1634.6
RELIANCE INDUSTRIES		8952.0		1122.0
MTNL		2614.0		648.0
GAIL		3827.8		428.2
HPCL		14120.8		479.4
LARSEN & TOUBRO		3357.8		166.9
TISCO		3173.3		90.2
VSNL		3566.4		701.7
BPCL		13572.6		408.4
HINDUSTAN LEVER		7849.8		724.8
HINDALCO INDUSTRIES		1056.9		299.2
ITC		3927.2		400.3
GRASIM INDUSTRIES		2494.4		133.8
BHARAT HEAVY ELECTRICALS		2574.0		2444.0
BSES		1264.0		139.3
BAJAJ AUTO		1885.4		269.8
NEYVELI LIGNITE CORP		830.9		205.4
NATIONAL ALUMINIUM		1007.9		178.1
MAHINDRA & MAHINDRA		1757.7		111.6
STERLITE INDUSTRIES		606.7		49.4
ACC		1358.9		8.7
COCHIN REFINERIES		2752.5		121.5
INDO GULF CORP		10189		89.7
GUJARAT AMBUJA CEMENT		281.0		281.0
RANBAXY LABORATORIES		1141.4		169.1
WIPRO		985.2		119.0
NIRMA		840.4		115.5
TATA CHEMICALS		684.2		62.4
IPCL		1961.3		102.4
MADRAS REFINERIES		2362.5		70.8
RCF		1151.1		51.6
TATA POWER COMPANY		705.7		104.0
VIDEOCON INTERNATIONAL		N/A		N/A
GSFC		1014.1		14.9
NATIONAL FERTILIZERS		552.3		4.1
NESTLE		1126.6		80.5
NAGARJUNA FERTILISERS		239.2		24.0
HERO HONDA MOTORS		1039.3		81.3
GREAT EASTERN SHIPPING		473.6		68.3
MRF		628.4		21.0
INDIAN RAYON		502.3		20.0
BPL		1010.4		49.3
TELCO		3777.8		4.0
RAYMOND		610.2		28.4
CHAMBAL FERTILISERS		525.7		64.7
T V S SUZUKI		792.4		46.0
SAIL		7145.0		(134.8)
INDIAN ALUMINIUM		478.6		40.8
HINDUSTAN ZINC		776.3		69.4

CONTAINER CORP		395.7		81.4
MOTOR INDUSTRIES		1105.1		55.0
MRPL		1321.5		(205.9)
CASTROL INDIA		867.1		142.4
TATA TEA		458.2		72.3
ASHOK LEYLAND		1095.1		2.0
SPCL	N/A	N/A	N/A	N/A
GUJARAT NARMADA VALLEY	N/A	N/A	N/A	N/A
INDIAN HOTELS		259.3		40.0
ISPAT INDUSTRIES	N/A	N/A	N/A	N/A
ASIAN PAINTS		506.1		39.5
PUNJAB TRACTORS		513.3		70.5
ESCORTS		751.0		54.5
EIH		203.7		21.2
DABUR INDIA		501.9		44.3
JAIPRAKASH INDUSTRIES	N/A	N/A	N/A	N/A
PENTAFOUR SOFTWARE		322.4		71.2
ANDHRA VALLEY		424.2		60.4
COLGATE PALMOLIVE INDIA		568.5		25.0
CIPLA		412.3		67.9
AHMEDABAD ELECTRICITY	N/A	N/A	N/A	N/A
BHARAT ELECTRIC		323.2		14.2
OSWAL CHEMICALS	N/A	N/A	N/A	N/A
USHA BELTRON		398.5		17.8
ADANI EXPORT		1192.6		41.2
ASEA BROWN BOVERI		572.4		7.7
FACT	N/A	N/A	N/A	N/A
APOLLO TYRES		675.3		28.6
JINDAL STRIPS		609.2		24.1
EXIDE INDUSTRIES		444.6		19.9
BRITANNIA INDUSTRIES		596.6		23.3
CUMMINS INDIA		386.2		40.2
DUNCANS INDUSTRIES		564.7		25.6
ESSAR STEEL		460.4		(138.0)
GLOBAL TELESYSTEMS		268.3		43.3
INFOSYS TECHNOLOGIES		401.9		126.3
NATIONAL MINERAL DEVP CORP	N/A	N/A	N/A	N/A
ITI		640.1		(35.0)
GUJARAT INDUSTRIES		112.3		14.0
PHILIPS INDIA		1258.8		9.5
CENTURY TEXTILES		1073.3		(43.5)
NOVARTIS INDIA		439.7		49.0
GLAXO		727.0		43.6
MADRAS CEMENTS		270.8		4.2
ARVIND MILLS		542.9		(103.1)
SOUTH INDIA CORP		813.2		18.3
NIIT		N/A		N/A
SATYAM COMPUTER SERVICES		294.3		56.6
FINOLEX INDUSTRIES		172.1		32.5
CROMPTON GREAVES		645.2		(36.4)

PSUs at the peak

A bloating topline has always been considered a leading indicator in identifying corporate leaders. Year after year, as companies scaled new peaks it has been yet another occasion for them to celebrate and set higher targets. The strategy, by and large, has been to expand capacity, diversify or opt for the M&A route. While these can be termed as the fast lanes in the march to the top, the other critical components which help pump up the turnover figures are sales volumes and unit realisation.

Going by results of the last financial year, in the Indian corporate sector, Indian Oil Corporation (IOC), which has grown by a mere 5.7 per cent to Rs64,728 crore, still remains unshaken in the *numero uno* position in terms of its ranking of the topline (turnover) in the profit and loss account. Ranked 278 in the Fortune 500 list, IOC happens to be the only Indian company to make it to this august list.

TOP 10

Rank 1999	Rank 1998	Company			
1	1	Indian Oil Corpn			
2	3	Hindustan Petroleum Corpn			
3	5	Bharat Petroleum Corpn			
4	2	Oil & Natural Gas Corpn			
5	4	Steel Authority Of India			
6	6	Reliance Industries			
7	7	Hindustan Lever			
8	8	Videsh Sanchar Nigam			
9	13	Larsen & Toubro			
10	10	Gas Authority Of India			

On the back of partial dismantling of the administered price mechanism and spiraling oil prices, the three blue chip public sector oil majors which operate in an oligopoly market, namely IOC, HPCL and BPCL, have bagged the first three slots. Till the sixth place, that is, of companies with a turnover in excess of Rs10,000 crore, except for the private sector giant, Reliance Industries, the others continue to be public sector companies. However, this time around, the surge in demand for petroleum products has been the primary reason for both HPCL and BPCL outperforming its peers in terms of logging handsome growth rates of 64 per cent and 80 per cent respectively, which have elevated them from last year's 3rd and 5th ranks to the 2nd and 3rd ranks respectively.

If one moves down in the list, there are no new entrants in the Rs3,000 crore-plus turnover bracket. Last year's top 21 companies in this category are the same, save for a shuffle in the ranks among them.

Interestingly, even though the Indian economy has opened up, there are just 80 Indian companies both from the public and private sector that can boast of a turnover of over Rs1,000 crore. And, most of them belong to the manufacturing sector. However, compared to last year, there are a few new entrants — Indo Gulf Corporation, Nagarjuna Fertilisers, Castrol, Britannia, Hindustan Copper, Duncans Industries, Jindal Iron, Liberty Oils and South India Corporation (Agencies).

The surprise appearances in the Rs1,000-crore league are Liberty Oil Mills (LOML) and South India Corporation (Agencies) Ltd (SICAL). While the former has clocked a growth rate of 205 per cent to Rs1,012 crore, the latter has moved up by 117 per cent to Rs1,711 crore. LOML is a Mumbai-based company with a manufacturing unit at Shahapur, Maharashtra. It makes vanaspati and refined oil. It is also one of the largest importers of edible oil. Trading constitutes 30 per cent of the company's turnover. SICAL is a Tamil Nadu-based company engaged in the business of logistics, also manufactures auto components, foreign spirits and trades in vehicles. Last year, a major chunk of the total income amounting to Rs887 crore came from coal handling charges alone.

Although there are over 8,000 listed companies, a mere 1 per cent of them belong to the Rs1,000 crore-plus club. The reasons are clear. Historically, during the pre-liberalisation days (before 1991), the licensing system forced companies to remain small. There was a freeze on the production capacity which was linked to the licence and hence even if they were efficiently run, they were unable to grow in terms of turnover. Secondly, many a time, these licences were distributed within the group companies, so even if they had the size in a particular industry, it was split among the group companies and so was the same [illegible]

1999

		TOP 10 by growth			
		Liberty Oil Mills			
		Jindal Vijayanagar Steel			
		MP			
		Gujarat Industries Power Company			
		Indo Gulf Corporation			
		South India Corporation (Agencies)			
		Himachal Futuristic Communication			
		Satyam Computer Services			
		Infosys Technologies			
		Aurobindo Pharma			

1999

		BOTTOM 10 by growth	Rs crore		
		Asea Brown Boveri			
		Alstom			
		Lakshmi Machine Works			
		Bharat Forge			
		Mukand			
		Modi Rubber			
		McDowell and Company			
		Lloyds Steel Industries			
		Parekh Platinum			
		Mafatlal Industries			



We're delighted to welcome the listing of the Gas Authority of India (GAIL) on the London Stock Exchange.

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1	INDIAN OIL COPN	64729	[illegible]	5.7
3	HINDUSTAN PETROLEUM COPN	24190	14717	64.4
5	BHARAT PETROLEUM COPN	21780	[illegible]	80.6
2	OIL & NATURAL GAS COPN	15796	[illegible]	(0.2)
4	STEEL AUTHORITY OF INDIA	13809	[illegible]	2.8
6	RELIANCE INDUSTRIES	13231	11849	11.7
7	HINDUSTAN LEVER	9727	8007	21.5
8	VIDESH SANCHAR NIGAM	7176	6436	11.5
13	LARSEN & TOUBRO	6993	5397	29.6
10	GAS AUTHORITY OF INDIA	6825	6337	7.7
11	BHARAT HEAVY ELECTRICALS	6777	6286	7.8
12	TATA IRON & STEEL COMPANY	5742	5792	(0.9)
9	TELCO	5718	6393	(10.6)
14	MAHANAGAR TELEPHONE NIGAM	5259	4779	10.0
15	COCHIN REFINERIES	4267	4412	(3.3)
16	GRASIM INDUSTRIES	3867	3624	6.7
21	MADRAS REFINERIES	3767	2715	38.8
18	ITC	3637	3230	12.6
17	MAHINDRA & MAHINDRA	3571	3486	2.4
20	BAJAJ AUTO	3342	2999	11.5
19	INDIAN PETROCHEMICALS COPN	3177	3083	3.1
42	MRPL	2606	1485	75.5
26	SPIC	2433	2108	15.4
25	ACC	2399	2140	12.1
27	BSES LIMITED	2349	2067	13.6
24	NATIONAL FERTILIZERS	2322	2234	3.9
28	VIDEOCON INTERNATIONAL	2284	1993	14.6
22	ADANI EXPORT	2189	2418	(9.5)
23	ESSAR STEEL	2134	2368	(9.7)
33	RCF	2062	1753	17.6
29	CENTURY TEXTILES AND IND	1977	1993	(0.8)
30	GSFC	1977	1948	1.4
38	HINDALCO INDUSTRIES	1912	1601	19.4
31	ASHOK LEYLAND	1854	1861	(0.4)
51	STERLITE INDUSTRIES	1848	1284	43.9
36	NEYVELI LIGNITE CORP	1837	1613	13.9
45	WIPRO	1804	1380	30.7
37	BPL	1786	1611	10.9
34	MRF	1786	1686	6.0
47	RUCHI SOYA INDUSTRIES	1730	1309	32.2
104	SOUTH INDIA COPN (AGENCIES)	1711	787	117.3
41	CESC	1701	1516	12.2
40	PHILIPS	1641	1531	7.2
44	ITI	1626	1418	14.6
32	NATIONAL ALUMINIUM	1577	1807	(12.7)
43	CROMPTON GREAVES	1558	1464	6.4
64	HERO HONDA MOTORS	1550	1154	34.4
46	NESTLE	1545	1380	11.9
115	INDO GULF COPN	1490	676	120.3
48	RANBAXY LABORATORIES	1431	1306	9.6

39	TATA CHEMICALS	1395	[illegible]	(9.7)
35	INDIAN RAYON AND INDUSTRIES	1393	[illegible]	(16.1)
67	USHA	1390	[illegible]	23.4
72	TVS SUZUKI	1329	[illegible]	27.8
49	ISPAT INDUSTRIES	1301	[illegible]	0.6
57	RAYMOND	1297	[illegible]	6.3
71	NIRMA	1275	1046	21.9
50	TATA POWER	1269	1291	(1.7)
56	FACT	1248	1244	0.3
98	NAGARJUNA FERTILISERS	1241	826	50.3
75	HINDUSTAN MOTORS	1230	1012	21.5
53	MOTOR INDUSTRIES	1225	1269	(3.5)
61	RALLIS INDIA	1220	1177	3.6
55	BHARAT ELECTRIC	1219	1263	(3.5)
66	HINDUSTAN ZINC	1173	1145	2.4
54	INDO RAMA SYNTHETICS	1166	1269	(8.1)
62	BHARAT EARTH MOVERS	1160	1174	(1.2)
58	ESCORTS	1137	1214	(6.4)
60	GUJARAT NARMADA VALLEY	1131	1187	(4.7)
76	GUJARAT AMBUJA CEMENT	1089	1008	8.0
73	J K INDUSTRIES	1067	1031	3.5
93	HINDUSTAN COPPER	1063	872	21.9
81	DUNCANS INDUSTRIES	1056	961	9.9
59	SIEMENS	1048	1198	(12.5)
65	JINDAL STRIPS	1037	1149	(9.8)
70	INDIAN ALUMINIUM	1034	1049	(1.4)
95	BRITANNIA INDUSTRIES	1015	836	21.5
83	JINDAL IRON AND STEEL	1014	957	6.0
214	LIBERTY OIL MILLS	1012	332	205.0
74	CEAT	1010	1021	(1.1)
90	COATS VIYELLA	990	893	10.9
84	ARVIND MILLS	983	956	2.9
80	GREAT EASTERN SHIPPING	981	964	1.7
78	COLGATE PALMOLIVE	972	984	(1.3)
103	PUNJAB TRACTORS	970	793	22.3
92	CASTROL INDIA	948	879	7.9
129	JAIPRAKASH INDUSTRIES	937	595	57.3
91	E I D PARRY INDIA	931	882	5.5
139	HIND LEVER CHEMICALS	913	556	64.2
99	ASIAN PAINTS	910	813	11.9
69	APOLLO TYRES	903	1076	(16.1)
102	DABUR	901	796	13.2
118	HCL INFOSYSTEMS	897	661	35.8
68	ASEA BROWN BOVERI	893	1084	(17.6)
79	VOLTAS	892	983	(9.3)
109	GODAVARI FERTILISERS	888	730	21.7
97	AHMEDABAD ELECTRICITY	882	829	6.4
82	ZUARI INDUSTRIES	875	958	(8.7)
89	TATA TEA	874	894	(2.3)
131	ITC AGROTECH	866	587	47.7



The Conference Schedule

"Wednesday, 8 December"

10:30 - 11:30		INAUGURATION BY MR. F. C. KOHLI DEPUTY CHAIRMAN, TATA CONSULTANCY SERVICES	
12.00 - 13.00		INAUGURAL KEYNOTE : MR. B. RAMALINGA RAJU CHAIRMAN SATYAM COMPUTERS LTD.	
13:00 - 14:00		Lunch	
	Room A : **Track 1 : Applications Track** *Application Infrastructure*	Room B : **Track 3 : Enterprise Connectivity Track** *External Communications*	
14:00 - 14:45	Network Computing Architecture CHRIS FLYNN VP SCO, U.K.	Portals and Gateways PADMA CHANDRASEKHARAN VP SATYAM	
15:00 - 15:45	Web-Enabled Applications MATTHEW SCHOFIELD VP SCO, U.K.	Wireless Data Access TBD	
16:00 - 16:45	UNIX in the Enterprise PETER KETTLE VP SCO, U.K.	COMMUNICATIONS ON THE INTERNET TODD ABBOT M.D. ASIA PACIFIC CISCO	
16:45 - 17:00	Tea Break	Tea Break	
17:00 - 18:15	Power Panel: B2B e-Commerce in India: A Status Report	RAJIV NAIR (MICROSOFT), TODD ABBOT (CISCO), R RAMRAJ (SATYAM)	

"Thursday, 9 December"

	Room A : **Track 1 : Applications Track** *IT in Industry*	Room B : **Track 3 : Enterprise Connectivity Track** *Internal Communications*	Room C : **Track 1 : Applications Track** *DECISION SUPPORT*
9:00 - 9:45	Industry: Financial Services PRASHANT SINGH INDUSTRY MKTG. MGR. MICROSOFT	Integrating Mobile and Appliance Users TBD	Managing Web-based Customers SURYA KANT V.P. TATA CONSULTANCY SERVICES
10:00 - 10:45	Datawarehousing for the Financial Industry GOURISH HOSANGADI COUNTRY MANAGER SAS INSTITUTE	Virtual Private Networks (VPNs) RAHUL SWARUP, VP TECHNICAL, SATYAM	Sales Force Automation TBD
11:00 - 11:45	Strategising for Internet Success Hema Parmeswaran Mktg. Mgr. Internet & E.Com, LG Soft, India	Getting the Bandwidth you need TBD	Call Centre Management KRISHNA PRASAD ASSOCIATE DIRECTOR CAMBRIDGE TECHNOLOGY PARTNERS
11:45 - 12:00	Tea Break	Tea Break	Tea Break
12:00 - 13:00	Keynote: (OPEN FOR ALL) "TAKE NO PRISONERS" JON "Maddog" HALL, EXECUTIVE DIRECTOR, LINUX INTERNATIONAL		
13:00 - 14:00	Lunch (all delegates)		
	Track 2 : Infrastructure Track *Managing for the Millennium*	**Track 5. E-Commerce Track** *Doing Business*	
14:00 - 14:45	Nextgen IT Management TBD	Succeeding in the Internet Economy: KEITH OSBORN V.P. NOVELL INC	
15:00 - 15:45	CYBER LAWS SUNIL MODAK MD SPECTRUM BUSINESS SUPPORT	Web-enabled Business VIRAT BHATIA MD AT & T	
16:00 - 16:45	Beyond Faster and Cheaper NABEEL YOUAKIM MD ASIA PACIFIC CITRIX	Case Study-BUILDING BRANDS NEERAJ ROY MD & CEO HUNGAMA.COM	
16:45 - 17:00	Tea Break	Tea Break	
17:00 - 18:15	Power Panel: Getting Ready for Digital Appliances	MR. S. RAJAGOPALAN (CMD-MTNL) MR. SRINIVAS POLISETTY (MAHADEV.COM)	

COMDEX INDIA

L IT SHOW

Maidan, New Delhi, India

"Friday, 10 December"

	Room A :	Room B :	Room C :
	Track 5 : E-Commerce Track	**Track 2 : Infrastructure Track**	**Track 4 : Developers Track**
	Doing Business	*Directions & Developments*	Windows DNA 2000
9:00 - 9:45	Strategy for Internet Presence	Windows 2000 Overview	Windows DNA
	VIJAY SHAH & DEVINDRA LUTHRA	SUNDAR BALASUBRAMANIAN	AMULEEK BIJRA
	ANDERSEN CONSULTING, USA	MKTG. MGR, MS WINDOWS 2000	TECH. SP. MS WINDOWS DNA
10:00 - 10:45	Industry: Manufacturing	Windows 2000 Overview	Windows DNA
	C.K. SHARMA, C.E.O	SUNDAR BALASUBRAMANIAN	AMULEEK BIJRA
	APTECH KNOWLEDEGEWARE CORPORATION	MKTG. MGR, MS WINDOWS 2000	TECH. SP. MS WINDOWS DNA
11:00 - 11:45	Industry: Manufacturing	Windows 2000 Overview	What Will the Internet look like in 2 years
	TBD	SUNDAR BALASUBRAMANIAN	TBD
		MKTG. MGR, MS WINDOWS 2000	
11:45 - 12:00	Tea Break	Tea Break	Tea Break
12:00 - 13:00	Keynote (OPEN FOR ALL) "BUSINESS INTERNET" SANJAY MIRCHANDANI - MANAGING DIRECTOR, MICROSOFT CORPN. INDIA		
13:00 - 14:00	Lunch (all delegates)		
		Track 4 : Developers Track	**Track 5. E-Commerce Track**
		Linux	*Content Delivery*
14:00 - 14:45		Fundamentals of Linux: JON "Maddog" HALL	The Coming ISP Revolution
		EXECUTIVE DIRECTOR LINUX INTERNATIONAL	TBD
15:00 - 15:45		Linux in Your Enterprise	Web Design Tools
		DAVID TAYLOR SCO	TBD
16:00 - 16:45		Linux Cross-Platform Integration	Are Your Web Servers ready to serve?
		TBD	TBD
16:45 - 17:00		Tea Break	Tea Break
17:00 - 18:15	Power Panel: Linux		

This programme is subject to change

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The acid test

Profit is probably the first yardstick by which a business proposition can be judged. No matter how large a corporation is, if it cannot make money, it does not warrant a second look. So this could be termed as the acid test for corporates to decide whether to shape up or ship out of a particular business.

Generally, increasing the topline growth of corporates has been considered as an healthy score card. But translating the growth into higher returns and thereby improving the bottomline, hints that the corporate is on the right path. And, this process has just gathered steam.

According to the credit rating agency Duff & Phelps India, which has recently come out with its India economy update based on interim results available for 1,078 Indian companies, during the first half of the current year to the period ended September 1999, sales and net profit have registered an impressive growth of 17.7 and 8 per cent respectively. "This recovery compares favourably with an average revenue growth of 10-12 per cent in the preceding five halves and the decline in net profits in the preceding two halves," adds the Duff & Phelps report.

Granted, companies have had a tough passage in the past two to three financial years. But many of them have used this period to swim against the tide. Some have concentrated on increasing revenues, others by cutting cost or even both. Besides, another accounting gimmick adopted by companies to spruce the bottomline figure, albeit marginally, has been the change in accounting norm for depreciation provisioning from the written down value to the straight line method.

Let's go back in time a bit. From the 1990s till 1995-96, corporate profitability enjoyed a north bound journey. In the next two years, the onset of industrial slowdown resulted in the profit margins going into a tailspin. According to the CMIE, during the five years from 1991-92 to 1995-96, the net profit margins more than doubled from 1.8 to 4.1 per cent and then declined to 2.2 per cent in 1996-97 and further was pulled down to 1.8 per cent in 1997-98.

CMIE further explains the slide in the profit margins. It was largely on account of a faster growth in sales and a slower growth in the cost of production. This was largely due to the lower cost of inventory holding by companies in response to the liberalised environment. This saw the operating profit margins improving from 12 to 13 per cent from the early 1990s to the mid-1990s.

In 1994-95, the corporate sector also benefited by a reduction in interest rates. The prime lending rate (PLR) declined by 4 points to 15 per cent. Correspondingly, the effective cost of borrowing of the corporate sector also declined. In fact, in one year itself (1994-95), the share of interest payments in the operating profit moved down by 9 points to 37 per cent. Another [illegible] to 44 per cent. [illegible] profit margins started [illegible] again nibbled and the [illegible] were [illegible] increased.

The year 1998-99 [illegible] year, as higher interest [illegible] with depreciation [illegible] profits declining [illegible] However, the [illegible] during the [illegible] their [illegible] of [illegible] [illegible]

TOP 10

Rank 1999	Rank 1998	Company
1	1	ONGC
2	2	IOC
3	3	Reliance Industries
4	6	Videsh Sanchar Nigam
5	4	MTNL
6	5	Gas Authority Of India
7	7	Hindustan Petroleum Corp
8	8	Hindustan Lever
9	10	Bharat Petroleum Corp
10	11	ITC

[illegible] the fastest growth in terms of income are software companies have been logging [illegible] the profitability chart. Infosys Technologies, Wipro, Pentasoft Software, NIIT, Satyam Computers, HCL Infosystems and Tata Infotech have logged in growth rates varying from 34 to 124 per cent. In fact, their meteoric rise has made them the darlings of investors. The other industry to emerge on top of the heap is telecommunications.

Demand resistance has taken a toll on certain sectors of the economy — cement, steel, commercial vehicles, textiles, and petrochemicals. Many companies in these sectors have scaled down the production levels and consequently suffered bigger drops in the profitability. Some such companies are Tisco, Nalco, Tata Chemicals, L&T, RCF, Indian Rayon and Grasim.

With the number of business travellers dwindling, the hospitality industry is another sector that has taken a hit. Both Indian Hotels of the Taj group and EIH Ltd that runs the Oberoi chain, have reported declining profits of 13.2 and 21.8 per cent respectively.

Nonetheless, there are many companies in these sectors which have run into a rough patch, but have still made it to our list of super 100. The reason: since they were relatively large, they performed a little better than their smaller counterparts. Clearly, depression hits smaller companies harder than the large ones whose sheer size allows them to absorb such shocks.

But hard times are the best period for business houses to restructure; and some managements have begun taking this seriously. They have set their priorities in order. The imminent shakeout is likely to throw up some [illegible] strong players that is, companies that have been working better profits or that have already moved into the red are likely to [illegible]. Those that don't will [illegible]

One has to postpone [illegible] on their sustainability. Going by this preliminary result, it is early to predict the time these companies will take to completely turnaround.

Unlike growth in sales and assets, in

1999 PROFIT — Rs crore

Super Ranking	Profit Ranking	TOP 10 by growth	PAT'99	PAT'98	Growth(%)
188	204	Usha Ispat	[illegible]	[illegible]	[illegible]
218	183	Supreme Petrochem	[illegible]	[illegible]	[illegible]
135	182	SRF	[illegible]	[illegible]	[illegible]
229	205	Liberty Oil Mills	[illegible]	[illegible]	[illegible]
98	90	Finolex Industries	[illegible]	[illegible]	[illegible]
191	148	Chemplast Sanmar	[illegible]	[illegible]	[illegible]
145	154	McDowell and Company	[illegible]	[illegible]	[illegible]
122	133	Century Enka	[illegible]	[illegible]	[illegible]
189	178	Tamil Nadu Newsprint & Paper	[illegible]	[illegible]	[illegible]
217	201	Trafalgar House Construction India	[illegible]	[illegible]	[illegible]

1999 PROFIT — Rs crore

Super Ranking	Profit Ranking	BOTTOM 10 by growth	PAT'99	PAT'98	Growth(%)
208	234	Hindustan Organic Chemicals	[illegible]	[illegible]	[illegible]
178	241	Mukand	[illegible]	[illegible]	[illegible]
216	245	Orient Paper and Industries	[illegible]	[illegible]	[illegible]
221	245	Flex Industries	[illegible]	[illegible]	[illegible]
232	231	Bellary Steels and Alloys	[illegible]	[illegible]	[illegible]
233	236	Bajaj Tempo	[illegible]	[illegible]	[illegible]
234	235	NRC	[illegible]	[illegible]	[illegible]
83	258	Steel Authority of India	[illegible]	[illegible]	[illegible]
150	240	Godrej Soaps	[illegible]	[illegible]	[illegible]
80	257	Essar Steel	[illegible]	[illegible]	[illegible]

analysing the profitability ratios one has to look deeper into the balance sheet. Very often the true picture emerges only after the fine print is taken into account.

In the ultimate analysis, companies will [illegible] appropriate strategies if they [illegible] survive and thrive. After this, every [illegible] competence. If the smaller [illegible]

PROFITS

RANK 1999	RANK 1998	COMPANY	PROFITS 1999 (Rs crore)	PROFITS 1998 (Rs crore)	GROWTH (%)
1	1	ONGC	2760.8	2655.6	4.0
2	2	IOC	2218.2	1710.3	29.7
3	3	RELIANCE INDUSTRIES	1703.6	1652.7	3.1
4	6	VIDESH SANCHAR NIGAM	1376.1	997.4	38.0
5	4	MTNL	1288.3	1147.3	12.3
6	5	GAS AUTHORITY OF INDIA	1048.3	1020.4	2.7
7	7	HINDUSTAN PETROLEUM CORP	901.3	701.2	28.5
8	8	HINDUSTAN LEVER	837.4	580.3	44.3
9	10	BHARAT PETROLEUM CORP	684.6	541.0	26.5
10	11	ITC	623.4	526.2	18.5
11	19	NEYVELI LIGNITE CORP	589.7	262.0	125.1
12	12	HINDALCO INDUSTRIES	566.8	496.2	14.2
13	13	BAJAJ AUTO	540.5	464.1	16.5
14	14	TISCO	397.6	434.3	(8.4)
15	15	LARSEN & TOUBRO	389.6	423.3	(7.9)
16	24	COCHIN REFINERIES	338.2	220.4	53.4
17	20	BSES	270.2	261.7	3.3
18	9	NALCO	244.0	547.6	(55.4)
19	16	BHEL	243.6	396.0	(38.5)
20	21	MAHINDRA & MAHINDRA	228.6	251.5	(9.1)
21	41	MADRAS REFINERIES	204.9	128.2	59.9
22	18	TATA CHEMICALS	189.8	288.6	(34.2)
23	33	CASTROL	178.4	158.2	12.8
24	35	NIRMA	170.9	152.3	12.2
25	47	WIPRO	170.2	107.9	57.8
26	30	TATA POWER	165.8	164.8	0.6
27	37	INDO GULF CORP	164.0	141.2	16.2
28	23	GRASIM INDUSTRIES	163.8	230.8	(29.0)
29	34	STERLITE INDUSTRIES	160.8	156.7	2.6
30	26	RANBAXY LABORATORIES	156.0	186.7	(16.4)
31	43	VIDEOCON INTERNATIONAL	150.9	123.8	21.9
32	40	GUJARAT AMBUJA CEMENT	150.5	131.7	14.3
33	39	CHAMBAL FERTILISERS	145.5	133.1	9.3
34	45	NAGARJUNA FERTILISERS & CHEM	143.7	122.1	17.7
35	46	CONTAINER CORP	141.1	116.3	21.3
36	29	GSFC	138.7	172.0	(19.4)
37	77	INFOSYS TECHNOLOGIES	137.2	61.9	121.8
38	32	NATIONAL MINERAL DEV CORP	133.7	163.1	(18.0)
39	48	TATA TEA	128.8	102.2	26.1
40	31	GREAT EASTERN SHIPPING	126.4	164.2	(23.0)
41	52	PUNJAB TRACTORS	125.8	96.6	30.2
42	60	HERO HONDA MOTORS	121.3	76.6	58.4
43	38	INDIAN HOTELS	119.7	137.9	(13.2)
44	70	PENTAFOUR SOFTWARE	119.1	67.9	75.4
45	64	ENGINEERS INDIA	117.8	73.2	60.8
46	49	CIPLA	115.0	102.0	12.7
47	69	NIIT	108.4	67.9	59.6
48	28	RCF	106.3	183.0	(41.9)
49	25	INDIAN RAYON	106.0	212.5	(50.1)
50	54	BPL	102.5	85.6	19.8
51	51	ANDHRA VALLEY	102.5	99.8	2.7
52	74	MRF	102.2	62.5	63.5
53	44	EIH	96.4	123.3	(21.8)
54	94	RAYMOND	86.6	48.0	80.4
55	62	NESTLE	86.2	74.2	16.2
56	67	TVS SUZUKI	82.1	68.8	19.4
57	78	SMITHKLINE BEECHAM	80.8	61.7	31.0
58	59	HINDUSTAN ZINC	79.1	78.7	0.6
59	65	INDIAN ALUMINIUM	78.8	73.2	7.7
60	66	GUJARAT NARMADA VALLEY	77.7	69.0	12.6
61	103	DUNCANS INDUSTRIES	76.9	40.5	90.1
62	55	CUMMINS INDIA	74.8	82.3	(9.1)
63	111	NOVARTIS INDIA	74.7	38.4	94.5
64	108	SATYAM COMPUTER SERVICES	72.8	39.1	86.3
65	61	DEEPAK FERTILISERS	72.7	75.5	(3.7)
66	57	SHREE KRISHNA POLYESTER	70.2	80.0	(12.3)
67	79	ASIAN PAINTS	69.8	61.0	14.4
68	72	TATA HYDRO-ELECTRIC	69.6	66.0	5.4
69	75	ADANI EXPORT	67.3	62.2	8.1
70	84	GLAXO	67.1	55.7	20.5
71	104	GLOBAL TELESYSTEMS	63.2	40.2	57.3
72	92	FINOLEX CABLES	62.0	48.6	27.5
73	112	ELECTRO STEEL CASTINGS	60.6	38.3	58.4
74	141	HCL INFOSYSTEMS	58.5	26.1	123.9
75	82	SUASHISH DIAMONDS	57.7	57.0	1.3
76	190	ACC	56.8	13.4	323.9
77	102	PROCTER AND GAMBLE	55.9	43.2	29.4
78	80	INGERSOLL RAND	54.6	58.5	(6.7)
79	128	GUJARAT INDUSTRIES POWER	54.4	30.5	78.6
80	89	BHARAT ELECTRIC	53.6	53.4	0.4
81	71	MOTOR INDUSTRIES COMPANY	52.9	67.5	(21.7)
82	91	DR REDDYS LABORATORIES	51.8	48.8	6.1
83	27	NATIONAL FERTILIZERS	51.8	185.7	(72.1)
84	58	SPIC	50.8	79.0	(35.7)
85	150	AUROBINDO PHARMA	50.1	23.8	110.6
86	100	DABUR	49.7	44.2	12.3
87	86	MAHAVIR SPINNING MILLS	49.7	54.2	(8.4)
88	76	SHREE KRISHNA PETRO YARNS	48.9	62.1	(21.3)
89	114	COROMANDEL FERTILISERS	48.5	36.1	34.5
90	240	FINOLEX INDUSTRIES	48.0	(8.3)	681.8
91	98	ESSAR SHIPPING	48.0	45.3	6.0
92	109	GODFREY PHILLIPS	47.3	38.8	21.8
93	116	TATA INFOTECH	46.1	34.3	34.3
94	113	TAMIL NADU PETROPRODUCTS	45.8	37.3	22.9
95	56	COLGATE PALMOLIVE	45.7	80.1	(42.9)
96	83	NICHOLAS PIRAMAL	45.3	56.5	(19.9)
97	131	AHMEDABAD ELECTRICITY	45.1	30.0	50.5
98	151	USHA	44.1	23.7	86.1
99	107	PHILIPS	42.7	39.3	8.7
100	120	USHA BELTRON	42.9	33.7	26.4

ASSETS

Does size matter?

The churning in Corporate India has seen the assets of many a company turn into liabilities. The unbridled capital creation witnessed post-liberalisation has taken its toll on several companies. Asset building was the preserve of the public sector till the end of the 1980s. But the early 1990s saw the private sector pole-vault into the big league thanks to the availability of funds from the primary market. The licence raj saw several major private enterprises diversify into unrelated areas in order to grow in size. Funding was never a problem thanks to the vibrant primary market and the financial institutions then were only too ready to lend. In hindsight, the growth strategy that was adopted only proved that most of the Indian entrepreneurs moved at breakneck speed but with blinkers on.

The Ambanis, the Mittals, the Jindals, the Ruias, the Rais and the Oswals of the world bandied about big plans. However, not everybody got the prescription right. With the Indian economy thrown open and tariff barriers mowed down, the so-called major capacities that India Inc built up appeared small in comparison with international ones. Though the Ambanis continued with their endeavour to attain global capacities, the recessionary trends witnessed the worldover in commodities saw major Indian groups being caught on the wrong foot. There was a need to get out of those businesses which were unproductive.

The clean-up act, which began in the past few years will continue for a couple of years. There is also an attempt to unlock values — that which is lying unused or used unpro-ductively. Financial institutions, in an attempt to recover part of their debt, are increasingly convincing respective promoters to either shed capacities in favour of stronger players or buy out capacities, as the case may be, to emerge stronger.

In the process, the complexion of funding asset creation has undergone a major change. Earlier large assets were built from the green field stage funded by tapping the public's purses. Today, a lot more companies are adopting the merger and acquisition route with funding coming in the form of a mix of internal accruals and loans or purely bank, FI or venture capital funding. In fact, there are several financial institutions talking in terms of setting up large funds dedicated to restructuring Indian corporates. Recently, UTI announced its plans to float a $100 million restructuring fund.

Last year, we had talked of takeover funding gathering momentum. A great deal of work seems to be happening in the software industry where practically every fortnight one of the top rung software companies announces its plans to acquire overseas companies in its field of operations. Infosys, Satyam, CyberTech, Silverline, to name a few, are all moving on these lines. In the pharma sector, some Indian companies such as Nicholas Piramal and Ranbaxy are constantly on the lookout for acquiring either brands or idle manufacturing capacities available at bargain prices.

Another noteworthy trend that is catching up is funding acquisitions through the issue of corporate paper. Indian Cement's takeover of Raasi Cement was funded largely through the issue of equity. Ditto for the Aditya Birla group company, Grasim, which used its equity to acquire Indian Rayon's cement facility. The most recent case has been that of Subhash Chandra's strategy to acquire Rupert Murdoch's stake in Asia Today and other allied businesses for part cash and part equity in Zee Telefilms.

Moving on to the asset ranking study, the extent of restructuring or consolidation exercises carried on by some of the corporates can be gauged from the drop in asset value not by resorting to asset stripping but by refocusing the business. There are as many as 22 companies in the Asset 100 which have clocked negative growths. Take the case of Nicholas Piramal,

TOP 10

Rank 1999	Rank 1998	Company	Assets 1999	Assets 1998	Growth%
1	1	ONGC	25314	24092	5.1
2	2	Steel Authority Of India	20896	20627	1.3
3	3	Reliance Industries	15396	14973	2.8
4	4	Indian Oil Corpn	15166	11912	27.3
5	5	Tata Iron & Steel	7059	6300	12.0
6	6	IPCL	6131	5319	15.3
7	7	Gas Authority Of India	5974	5485	8.9
8	10	MTNL	5257	4969	7.8
9	11	Ispat Industries	5283	4423	19.5
10	9	CESC	5180	4985	2.9

ASSETS

which saw the largest drop (65 per cent) in asset base. This was a fallout of the company's decision to spin off the glass and bulk drugs divisions into independent entities and thereby "unlock shareholder value". By doing so, Gujarat Glass brought in Rs225 crore as net cash inflow arising from the equity offering to a strategic investor. This money, the company said, would be utilised to acquire brands and companies with "a strategic fit with its core therapeutic areas" of business. By separating the two businesses, Ajay Piramal, chairman of Nicholas Piramal, said that the possibility of MNCs picking up stake in this company and thereby having access to proprietary technologies, could not be ruled out. Today, "the key success factors in globalising a business, including investment needs, are quite different and need to be tackled differently," he had said.

The other company which had been slipping from the ranks even after continuous restructuring was Voltas from the Tata stable. The company, which once dabbled in fruit drinks, pesticides and chemicals, switchgears, engineering services, besides air-conditioners and refrigerators, has today emerged much leaner. It has exited most of its businesses and has decided to concentrate on its core competence — air-conditioning. The refrigeration capacity is being largely utilised to execute job work for new entrant multinationals who would prefer to outsource the product and then market it under their brandname rather than put up fresh capacities of their own. Companies such as Jindal Strips and Indian Rayon have also restructured their businesses thereby being their asset base shrink.

While these companies may have undergone surgeries, there are some which have developed an appetite for size to stay ahead of the pack. Gammon India has seen a two-fold jump in its asset base to Rs137 crore. TVS Suzuki, too, has revved up to double its last year's assets to Rs382 crore. The company dumped in a lot of investments to set up a plant to manufacture scooters and has plans to launch several new models during the current year, investment for which has already been made. The company's endeavour is to emerge as a foremost player not only in the motorcycle segment but the entire two-wheeler range. The other major asset additions have come from Essar Steel, which has been expanding capacity, and Essar Shipping, which has purchased two Aframax bulk crude carriers.

tion, there are hardly any surprises. There are about five companies in the top 100 in assets which have made it to this year's list purely on the strength of expansion of capacities. As always, the public sector companies rule the roast with as many as six companies in the top 10, with ONGC firmly entrenched as the leader. Reliance, at the number three slot, is the leader from the private sector. Ispat Industries too has made it to the top 10, inching up two notches from its number 11 position last year. A notable feature is that a lot of companies in the oil refining sector have made substantial investments of more than a fourth the previous year's levels. With demand for petroleum products on the upswing, these companies are bound to put their assets to good use.

However, in the top 10 there are companies that have increased their asset base by more than 100 per cent. Gammon India has seen its asset base grow by 197.5 per cent in the last financial year. Its asset base has increased from Rs138 crore in FA98 to Rs411 crore in FA99. Gammon has been in the business of engineering and construction for over 100 years. It has been in the business of manufacturing and marketing explosives for over 50 years. Besides, it has been in the business of manufacturing and marketing explosives for over 50 years. Besides, it has been in the business of manufacturing and marketing explosives for over 50 years.

1999 ASSETS — TOP 10 by growth

Rs crore

Super Ranking	Assets Ranking		FA99	FA98	Growth%
243	193	Gammon India	138	46	197.5
47	115	TVS Suzuki	382	187	103.8
95	162	South India Corporation (agencies)	213	105	102.3
232	74	Bellary Steels and Alloys	673	349	93.1
158	244	Godfrey Phillips India	52	27	91.1
112	23	Essar Shipping	2236	1233	81.2
152	88	Videocon Appliance	558	313	77.9
206	168	Hindustan Construction Company	189	107	76.5
72	26	Oswal Chemicals and Fertilisers	2100	1195	75.7
239	205	Vikrant Tyres	120	69	73.7

1999 ASSETS — BOTTOM 10 by growth

Rs crore

Super Ranking	Assets Ranking		FA99	FA98	Growth%
117	134	Siemens	302	332	(9.1)
80	12	Essar Steel	4838	5753	(15.9)
105	154	Usha (India)	150	180	(16.7)
248	194	Standard Industries	133	158	(15.8)
78	59	Jindal Strips	1905	1195	(59.4)
41	52	Indian Rayon and Industries	1065	668	(59.4)
207	169	Tata SSL	1196	785	(52.4)
188	200	Voltas	727	481	(51.2)
191	152	Chemplast Sanmar	295	199	(48.2)
132	120	Nicholas Piramal India	1165	785	(48.4)

ASSETS

	1	ONGC	25314	24092	5.1
	2	STEEL AUTHORITY OF INDIA	20896	20627	1.3
	3	RELIANCE INDUSTRIES	15396	14973	2.8
	4	INDIAN OIL CORP	15166	11912	27.3
	5	TATA IRON & STEEL	7059	6300	12.0
	8	IPCL	6131	5319	15.3
	7	GAS AUTHORITY OF INDIA	5974	5485	8 9
	10	M T N L	5357	4969	7.8
	11	ISPAT INDUSTRIES	5283	4423	19.5
	9	C E S C	5130	4985	2.9
	13	H P C L	4956	3679	34.7
	6	ESSAR STEEL	4838	5753	(15.9)
	12	LARSEN & TOUBRO	4555	4297	6.0
	15	JINDAL VIJAYANAGAR STEEL	4510	3267	38.1
	18	M R P L	4350	2707	60.7
	14	T E L CO	4045	3452	17.2
	16	B P C L	3789	3005	26.1
	21	HINDALCO INDUSTRIES	3577	2387	49.8
	19	GRASIM INDUSTRIES	3377	2658	27.0
	20	NEYVELI LIGNITE CORP	2884	2467	16.9
	17	NATIONAL ALUMINIUM	2759	2735	0.9
	32	ARVIND MILLS	2261	1666	35.7
	43	ESSAR SHIPPING	2236	1233	81.2
	29	MALVIKA STEEL	2153	1791	20.2
	23	G S FC	2152	2031	6 0
	44	OSWAL CHEM & FERTILISERS	2100	1195	75.7
	22	B S E S	2074	2042	1.5
	24	TATA CHEMICALS	2035	2007	1.4
	28	INDO GULF CORP	2013	1795	12.1
	41	CHAMBAL FERT & CHEMICALS	1981	1331	48.9
	27	A C C	1895	1827	3.7
	25	CENTURY TEXTILES AND IND	1885	1935	(2.6)
	30	STERLITE INDUSTRIES	1791	1777	0.8
	38	VIDESH SANCHAR NIGAM	1776	1449	22.5
	26	NAGARJUNA FERTILISERS	1753	1858	(5.7)
	40	GUJARAT INDUSTRIES POWER	1715	1372	25.0
	39	GREAT EASTERN SHIPPING	1711	1448	18.1
	37	LLOYDS STEEL INDUSTRIES	1656	1477	12.1
	33	INDO RAMA SYNTHETICS	1623	1637	(0.9)
	36	J K CORP	1519	1515	0.3
	34	NATIONAL FERTILIZERS	1483	1527	(2.9)
	35	GUJARAT AMBUJA CEMENT	1460	1516	(3.7)
	47	SPIC	1416	1159	22.2
	45	VIDEOCON INTERNATIONAL	1410	1176	19.9
	42	TATA POWER	1371	1316	4.2
	48	I T C	1234	1048	17.7
	52	MADRAS REFINERIES	1226	952	28.9
	51	USHA ISPAT	1196	957	25.0
	60	COCHIN REFINERIES	1188	776	53.1
	49	BHARAT HEAVY ELECTRICALS	1136	1022	11.1
	50	MAHINDRA & MAHINDRA	1099	1017	8.0
	31	INDIAN RAYON AND IND	1069	1668	(35.9)
	57	HINDUSTAN LEVER	1054	794	32.7
	82	NIRMA	975	583	67.3
	55	ASHOK LEYLAND	955	903	5.8
	53	RAYMOND	935	935	0.0
	64	EIH	924	729	26.9
	72	BAJAJ AUTO	922	683	35.0
	46	JINDAL STRIPS	909	1175	(22.7)
	54	F A C T	880	922	(4.6)
	63	R C F	866	737	17.4
	56	HIND DEVELOPMENT CORP	854	825	3.5
	58	ANDHRA VALLEY	827	790	4.7
	59	JAIPRAKASH INDUSTRIES	802	790	1.6
	62	GUJARAT NARMADA VALLEY	776	738	5.2
	67	AHMEDABAD ELECTRICITY	742	716	3.6
	69	INDIAN ALUMINIUM	736	690	6.7
	61	FLEX INDUSTRIES	720	755	(4.6)
	65	J K INDUSTRIES	716	727	(1.5)
	68	TAMIL NADU NEWSPRINT & PAPER	707	714	(1.0)
	66	MODERN SYNTEX	702	721	(2.6)
	73	EVEREADY INDUSTRIES	691	658	5.0
	79	ZUARI INDUSTRIES	681	595	14.4
	116	BELLARY STEELS AND ALLOYS	673	349	93.1
	78	USHA BELTRON	671	619	8.3
	71	CENTURY ENKA	661	684	(3.3)
	70	HINDUSTAN ZINC	656	689	(4.8)
	86	BHUSHAN STEEL	651	546	19.2
	74	MADRAS CEMENTS	650	656	(0.8)
	76	HINDUSTAN COPPER	642	629	2.2
	81	JINDAL IRON AND STEEL	629	591	6.4
	75	FINOLEX INDUSTRIES	620	650	(4.7)
	108	DUNCANS INDUSTRIES	619	388	59.4
	83	RANBAXY LABORATORIES	614	574	6.9
	77	S R F	577	627	(8.0)
	80	KESORAM INDUSTRIES	568	593	(4.2)
	88	TATA HYDRO-ELECTRIC	560	535	4 6
	124	VIDEOCON APPLIANCES	558	313	77.9
	87	TAMIL NADU PETROPRODUCTS	543	541	0.3
	89	ESCORTS	535	495	8.0
	98	MUKAND	527	445	18.5
	100	HINDUSTAN MOTORS	518	435	18.9
	85	JK SYNTHETICS	507	547	(7.2)
	91	MRF	498	491	1.4
	92	HINDUSTAN ORGANIC CHEM	481	481	(0.1)
	95	E I D PARRY	480	472	1.7
	90	UNITED BREW.	480	492	(2.3)
	102	JAYASWALS NECO	480	430	11.5
	109	NATIONAL MINERAL DEV CORP	478	369	29.6
	96	CROMPTON GREAVES	475	455	4.4

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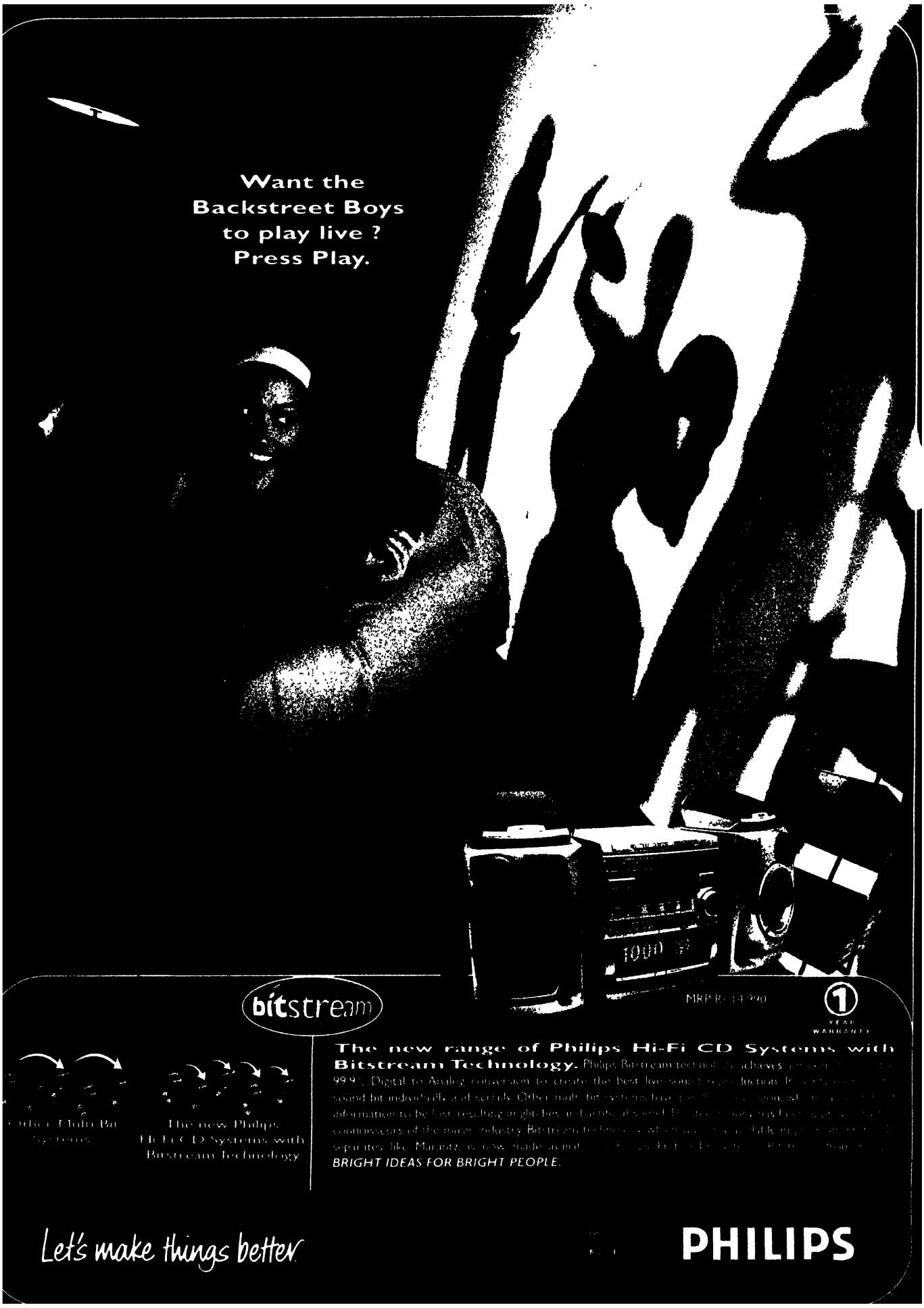
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Lever continues to reign

Few years ago and most Indian corporates had been treating unlocking investors as a pariah only expressing their concern when it was time to raise the next tranche of money from them. No longer. Frankly, the foreign financial institutions have to be thanked for bringing about a change in management attitude. These very companies opened their arms to the big investors hoping to make them toe their line once the mission of raising money was fulfilled.

However, these big investors, having decided to pick up an equity stake in a company, want greater transparency in operations. They also become very demanding and often question management decisions. If they feel let down they just plonk the shares in the market thereby shaving values off the corporate paper. The Indian stockmarket is becoming more institutionalised by the day what with mutual funds emerging as strong players and financial institutions becoming more assertive (for they have to guard their NPA levels). Indian promoters have, therefore, realised that they can't adopt a lackadaisical approach towards these large investors.

Several promoters have even begun to lavish attention on shareholders. They have been organising frequent analysts meets and press briefings in order to keep their shareholders abreast of the happenings in the company. The promoters have realised the importance of shareholders. Ajay Piramal, chairman of Piramal Enterprises, while announcing his decision of splitting [illegible] glass and pharma divisions, explained that [illegible] was unlocking shareholder value. And [illegible] not the only one. There are several [illegible] chieftains addressing seminars on the importance of shareholder value and corporate governance.

While there has been a change in the attitude of many managements, a new trend is also emerging in our markets. While earlier several respectable corporate chiefs would allow their shares to seek their own market valuations, now they would like to see their shares valued at much higher levels. Increasingly, many companies are throwing their doors open to large investors who would stay invested in a stock for a while and then create a re-rating story of how the stock was grossly undervalued. We have seen re-rating exercises being undertaken in stocks such as Ranbaxy, Zee Telefilms, Pentafour Software, to name a few. And the results are there for all to see. Though companies such as Zee (turnover Rs240-odd crore) do not qualify for our Sup[er] 100 ranking since the cut-off turnover is in excess of Rs275 crore, its year-on-year return works out to a whopping 700 per cent from Rs639 to Rs5,215 in mid-November. Each of the cases has seen an appreciation of a minimum of 200 per cent.

The bullish sentiment has not been restricted to these counters alone. With the economy showing signs of a turnaround, the sentiment has begun to spread across the board. Let the figures do the talking. A year ago, the Sensex stood at 2,945.4. Today, it has appreciated 55.46 per cent to 4,579. Market capitalisation has jumped 40 per cent, from Rs673,462 crore. The market cap of the Sup[er] 100 study of 258 companies constitutes about 76 per cent of the total market cap.

The picture seems just fine. Though in the past couple of years, quality consciousness was restricted to a few sectors such as [illegible] ware and pharmaceuticals, this time around the likes of Tisco, Telco, Grasim and [illegible] also drawing investor attention. Last [illegible] there was an erosion in values to the extent of 50 per cent. This time it has been [illegible]

TOP 10

Rank					
	1998				
1		Hindustan Lever			
2		ONGC			
3		Infosys Technologies			
4		Wipro			
5		Indian Oil Corpn			
6		Reliance Industries			
7		ITC			
8		[illegible]			
9		[illegible]			
10		[illegible]			

MARKET CAPITALISATION

cap surge 65 per cent compared to an erosion of 59 per cent in the previous year. ACC has also seen its market cap move up more than three-fold but part of it was due to a 25 per cent increase in equity arising out of its rights issue. Grasim, from the Aditya Birla stable, has also appreciated, with a 250 per cent jump in market cap.

Coming to the top notchers, Hindustan Lever continues to be perched at the top comfortably, with market cap at Rs51,335 crore, showing a jump of more than 50 per cent. Maintaining its second slot is oil major ONGC at Rs31,520 crore. The degree of valuation accorded to HLL can be gauged from the fact that though its equity is one-sixth that of ONGC, its share is quoting 10 times that of the latter.

The other public sector topper, Indian Oil, has moved a step further to the 5th slot and VSNL has managed to stay put at the number eight spot while MTNL has slipped from the 4th position to the 10th one. Among the private sector biggies, Reliance has dropped a notch and ITC has dropped to the number seven spot. The cigarette major seems to be slowly losing its stamina on the bourses.

The counters that really came charging from behind are Infosys Technologies, from the 34th position to bag the bronze. Pumped by steroids, the Ranbaxy Lab counter has also charged up from the 45th position to among the top 10. While some of the top 10 players merely swapped places, this duo nudged out Gas Authority and Bharat Heavy Electricals to the 15th and 16th positions respectively.

In terms of the highest growth in market cap, the prize goes to Mangalore Chemicals, for growing almost 52 times in just one year. Madras Cement, Infosys, Satyam Computers and Global Telesystems were the others to grow by more than 10 times. There are about 20 companies to have barged into the top 100 list in terms of market cap.

Of the total market cap of the Super 100 companies, more than 50 per cent is the private sector's contribution, with multinationals making up for 23 per cent and the balance accounted for by the public sector. Software companies' contribution was the moving force behind the private sector's good performance in market cap.

The software boom has overshadowed the MNCs' performance on the bourse in terms of growth rates and will continue to do so for some time to come. However, die-hard MNC supporters have not been particularly affected for they have also reported steady growth rates. In this category, companies such as Colgate could get re-rated in the coming months. In the PSU category, the oil and gas companies have done well and would continue to be on a roll.

With the economy doing a slow turn around, sectors which had been lying low so far, are worth watching in the coming year. Construction activity is bound to pick up so there could be good values in core sectors such as cement and steel. An indicator of the pick-up in activity is the fact that newspapers are allocating more and more space for tender notices.

tor, what is?

MARKET CAPITALISATION

Super Ranking	Mkt.Cap Ranking	TOP 10 by growth	Mkt.Cap 99	Mkt.Cap 98	Growth %
151	161	Kesoram Industries	226	3	8102.2
149	70	Mangalore Chemicals & Fertilizers	1399	26	5279.5
22	33	Associated Cement Companies	3552	118	2900
93	87	Madras Cements	872	52	1591.1
85	3	Infosys Technologies	26689	1928	1283.9
84	57	Global Telesystems	1775	143	1141.1
69	14	Cipla	7676	638	1102.6
97	13	Satyam Computer Services	8748	796	999.3
74	69	Adani Export	1435	143	904.1
113	48	Himachal Futuristic Communication	2110	217	874.2

1999 MARKET CAPITALISATION

Rs crore

Super Ranking	Mkt.Cap Ranking	BOTTOM 10 by growth	Mkt.Cap 99	Mkt.Cap 98	Growth %
237	239	Alembic Chemical Works Company	36	55	-35.1
64	142	Andhra Valley Power Supply Co	297	460	-35.5
245	231	Malwa Cotton Spinning Mills	46	73	-36.7
102	60	Hindustan Copper	1679	2686	-37.5
79	206	Duncans Industries	97	160	-39.2
222	143	Carrier Aircon	293	496	-41.1
116	178	Tata Hydro-electric Power Supply Co	176	337	-47.6
241	246	DCM Shriram Industries	24	50	-52.7
220	253	Mafatlal Industries	10	33	-68.9
195	209	Jagatjit Industries	95	504	-81.2

MARKET CAPITALISATION

RANK THIS YEAR	RANK LAST YEAR	COMPANY	THIS YEAR (Rs crore)	LAST YEAR (Rs crore)	GROWTH (%)
1	1	HINDUSTAN LEVER	51335	32405	58.4
2	2	ONGC	31520	26964	16.9
3	34	INFOSYS TECHNOLOGIES	26689	1928	1283.9
4	7	WIPRO	25785	8515	202.8
5	6	INDIAN OIL CORP	21931	8706	151.9
6	5	RELIANCE INDUSTRIES	21663	11840	83.0
7	3	ITC	18888	18136	4.1
8	8	VIDESH SANCHAR NIGAM	12920	6622	95.1
9	45	RANBAXY LABORATORIES	11512	1376	736.6
10	4	MTNL	11482	12191	(5.8)
11	14	LARSEN & TOUBRO	10157	3999	154.0
12	19	NIIT	9044	2916	210.2
13	62	SATYAM COMPUTER SERVICES	8748	796	999.3
14	67	CIPLA	7676	638	1102.6
15	10	GAS AUTHORITY OF INDIA	6808	6008	13.3
16	9	BHARAT HEAVY ELECTRICALS	6611	6538	1.1
17	11	HINDALCO INDUSTRIES	6312	4111	53.5
18	12	HINDUSTAN PETROLEUM CORP	5955	4083	45.9
19	16	TELCO	5938	3608	64.5
20	17	TISCO	5200	3273	58.9
21	13	NESTLE	5013	4011	25.0
22	36	BAJAJ AUTO	4997	1689	195.8
23	54	HERO HONDA MOTORS	4713	1109	325.0
24	32	CASTROL INDIA	4631	2033	127.9
25	26	STEEL AUTHORITY OF INDIA	4626	2313	100.0
26	15	BHARAT PETROLEUM CORP	4590	3956	16.0
27	18	GLAXO	4405	3234	36.2
28	35	MAHINDRA & MAHINDRA	4233	1730	144.6
29	38	GUJARAT AMBUJA CEMENT	4212	1649	155.4
30	51	GRASIM INDUSTRIES	4173	1191	250.4
31	28	NOVARTIS INDIA	3785	2246	68.5
32	27	NALCO	3702	2262	63.7
33	64	ACC	3552	1180	290.0
34	96	DR REDDYS LABORATORIES	3343	360	829.6
35	24	COLGATE PALMOLIVE	3182	2444	30.2
36	29	SMITHKLINE BEECHAM	2850	2223	28.2
37	80	PENTAFOUR SOFTWARE	2776	510	444.6
38	59	DABUR INDIA	2765	1001	176.2
39	42	TATA TEA	2645	1489	77.6
40	43	IPCL	2616	1405	86.1
41	56	NIRMA	2542	1037	145.2
42	70	ENGINEERS	2524	580	334.9
43	61	BRITANNIA INDUSTRIES	2376	932	154.9
44	30	BSES	2272	2204	3.1
45	23	CONTAINER CORP OF INDIA	2171	2457	(11.6)
46	50	CUMMINS INDIA	2162	1205	79.4
47	21	NEYVELI LIGNITE CORP	2156	2516	(14.3)
48	120	HIMACHAL FUTURISTIC	2110	217	874.2
49	37	PUNJAB TRACTORS	2090	1670	25.2
50	25	BAJAJ ELECTRICALS	2042	2428	(15.8)
51	41	MOTOR INDUSTRIES	2041	1492	36.8
52	39	PROCTER AND GAMBLE	1958	1630	20.2
53	31	ASEA BROWN BOVERI	1925	2112	(8.9)
54	117	CADBURY	1917	228	739.7
55	22	FACT	1809	2483	(27.1)
56	65	STERLITE INDUSTRIES	1779	694	156.1
57	150	GLOBAL TELESYSTEMS	1775	143	1141.1
58	33	INDIAN HOTELS	1723	1932	(10.8)
59	73	SIEMENS	1686	567	197.2
60	20	HINDUSTAN COPPER	1679	2686	(37.5)
61	47	TVS SUZUKI	1674	1338	25.1
62	60	NICHOLAS PIRAMAL	1659	950	74.5
63	64	HOECHST MARION ROUSSEL	1637	754	117.2
64	52	ASIAN PAINTS	1601	1176	36.1
65	69	INDO GULF CORP	1585	618	156.3
66	99	LUPIN LABORATORIES	1478	346	327.0
67	48	INGERSOLL RAND	1453	1293	12.4
68	63	HCL INFOSYSTEMS	1452	767	89.2
69	151	ADANI EXPORT	1435	143	904.1
70	238	MANGALORE CHEMICALS & FERT	1399	26	5279.5
71	97	ASHOK LEYLAND	1298	352	268.7
72	58	RECKITT AND COLMAN	1233	1004	22.8
73	78	ESCORTS	1152	520	121.3
74	49	TATA INFOTECH	1101	1234	(10.8)
75	142	ELECTRO STEEL CASTINGS	1096	157	599.5
76	44	EIH	1048	1393	(24.8)
77	149	TORRENT PHARMA	1038	146	613.2
78	40	TATA CHEMICALS	1035	1534	(32.5)
79	46	NATIONAL FERTILIZERS	1030	1349	(23.6)
80	88	RCF	1026	436	135.4
81	90	EXIDE INDUSTRIES	944	408	131.7
82	75	SOUTH INDIA CORP (AGENCIES)	930	534	74.1
83	68	MRF	929	622	49.4
84	53	SMITHKLINE BEECHAM PHARMA	923	1111	(16.9)
85	57	COCHIN REFINERIES	920	1029	(10.6)
86	95	BPL	884	366	141.5
87	211	MADRAS CEMENTS	872	52	1591.1
88	130	BHARAT FORGE	864	186	363.2
89	138	FINOLEX CABLES	835	161	418.4
90	156	JAIPRAKASH INDUSTRIES	835	136	516.2
91	115	ICI	820	238	244.9
92	55	TATA POWER	814	1040	(21.7)
93	166	MCDOWELL AND COMPANY	800	116	586.9
94	108	PIDILITE INDUSTRIES	796	281	182.8
95	113	CMC	780	254	207.2
96	160	WHIRLPOOL	753	126	500.0
97	77	INDIAN ALUMINIUM	746	527	41.7
98	76	MANGALORE REFINERIES	738	543	35.5
99	103	SUNDRAM FASTENERS	731	332	120.2
100	94	HINDUSTAN ZINC	730	378	93.1

Software companies speed ahead

When we started the exercise of zeroing in on the fastest growing 100 companies three years ago, the initial results had us foxed since companies which did not have a good reputation were the ones which emerged tops. After another similar exercise, we were convinced that the compounded average growth rates do not tell the real story; in fact, they tell only history. A couple of annual studies threw up real gems such as the NEPC, Modern group companies, Lloyds Steel, Ruchi Soya, to name a few. Today, these companies are insignificant dots on the Indian corporate landscape.

Not that the study was faulty. These companies had genuinely notched up high growth rates. The early 1990s saw many a company project a group image and roll out highly ambitious plans. The manner in which they tom-tommed their plans gave one the impression that the likes of Rankas, Rais, Khemkas and Guptas harboured ambitions of aping the Ambanis. Their greenfield projects were all funded through the buoyant capital markets. In the years that followed, these new breed of entrepreneurs ran out of steam for most of their projects were based on risky financing strategies: the hope that they could perennially raise money from the stockmarket died down. Simultaneously, the bankers closed the tap. These so-called rising stars began to plunge earthwards.

Unlike last year's study which contained the remains of companies which went overboard in the 1990s, this time around the study has thrown up some respectable names. Moving at a fast clip is Mangalore Refinery (MRPL) which has notched up a four-fold growth in three years and a two-fold growth in post-tax profit. It has already embarked on jacking up its refining capacity to 9 million tonnes per annum which should be in place by next year. With demand for petro products going up coupled with the fact that MRPL has access to the strong marketing network of HPCL, the company is poised of not only significant utilisation of its capacities but also an edge over other [illegible]

At second slot is South India Corporation. The little known south-based company, part of the [illegible] group, has figured in many of the parameters and is in the august company of the 100 super ranker[illegible] Largely into trading business, this company has signed a joint venture agreement with PSA India Pte Singapore and Nur Investments & Trading Pte last year to develop, manage and operate a berth at Tuticorin port as a full-fledged container termina[illegible] on BOT basis. According to sources, this is one o[illegible] the reasons for the company to jump into th[illegible] Rs1,000 crore turnover league.

Looking at the way the software companie[illegible] have performed over the past couple of years, it i[illegible] not surprising that in the top 10 fastest growin[illegible] companies, three slots have been usurped by them — Satyam Computer at number 3 has beaten th[illegible] market favourite Infosys in CAGR by two notches Close on its heels is Pentafour Software. Jayaswal Neco still continues to figure in the bulge bracket The major merger exercise undergone durin[illegible] the past year seems to have helped the company hold sway.

Next year some of the top 10 companies may be dislodged from their prime positions largely because some of the manufacturing companie[illegible] which have got their plants on stream would climb up the corporate charts. Oswal Chemical and Fertilisers is one such company. Some of the well known companies may be figuring down the pecking order now, but they have been consistently posting good growth rates. Reliance for example, occupying the 17th slot, has been clocking around 40 per cent growth in sales though its profitability is growing at a much slower [illegible] largely because of the depressed market [illegible] Hindustan Lever, though a couple of [illegible] functioning, has been a steady performer [illegible] good growth.

Fastest growers need not necessarily make best companies. But in the consistent performers which [illegible]

1	5	MRPL	411.3	218.4
2	29	SOUTH INDIA CORP	130.8	64.2
3	16	SATYAM COMPUTER SERVICES	91.8	75.8
4	207	JAYASWALS NECO	83.8	(35.4)
5	14	INFOSYS TECHNOLOGIES	77.9	86.9
6	22	PENTAFOUR SOFTWARE	67.4	57.6
7	2	SUPREME PETROCHEM	66.4	239.4
8	12	AUROBINDO PHARMA	59.3	91.8
9	113	USHA BELTRON	54.8	8.8
10	255	ESSAR STEEL	52.1	(257.0)
11	10	LIBERTY OIL MILLS	52.0	146.6
12	13	KRISHNA TEXPORT INDUSTRIES	49.4	90.7
13	25	NIRMA	47.2	50.3
14	118	GUJARAT INDUSTRIES POWER	46.2	8.3
15	150	HINDUSTAN CONST	44.5	(4.3)
16	184	OSWAL CHEMICALS & FERTILISERS	43.8	(19.9)
17	109	RELIANCE INDUSTRIES	42.4	9.3
18	11	HIND LEVER CHEMICALS	42.1	96.4
19	66	ORCHID CHEMICALS & PHARMA	41.7	26.8
20	26	HINDUSTAN LEVER	41.5	50.3
21	36	IVP	41.2	39.6
22	122	RPG CABLES	39.3	6.3
23	77	BHARAT PETROLEUM CORP	38.0	21.1
24	241	BELLARY STEELS AND ALLOYS	37.0	(200.1)
25	125	RUCHI SOYA INDUSTRIES	35.2	4.3
26	89	GODAVARI FERTILISERS	34.7	12.5
27	19	HERO HONDA MOTORS	34.3	66.5
28	4	MANGLORE CHEM & FERT	33.4	212.5
29	127	INDO GULF CORP	32.7	4.1
30	82	NICHOLAS PIRAMAL	32.1	13.8
31	69	EXIDE INDUSTRIES	31.8	26.4
32	61	TATA INFOTECH	31.2	31.9
33	238	GODREJ FOODS	31.1	(172.0)
34	65	HINDUSTAN PETROLEUM CORP	31.0	20.6
35	49	TVS SUZUKI	30.7	32.6
36	124	STERLITE INDUSTRIES	30.1	4.7
37	81	PUNJAB TRACTORS	29.8	48.8
38	78	THE SURAT ELECTRICITY	29.4	38.5
39	85	KODAK INDIA	29.2	29.5
40	134	GAMMON INDIA	28.1	16.0
41	97	ITC AGROTECH	27.5	8.9
42	120	BHUSHAN STEEL	27.2	0.3
43	93	LML	26.9	32.0
44	101	EVEREADY INDUSTRIES	26.6	0.4
45	98	SHREE KRISHNA POLYESTER	26.1	8.1
46	95	NIIT	25.8	31.1
47	96	SMITHKLINE BEECHAM PHARMA	25.7	26.9
48	94	ADANI EXPORT	25.4	18.6
49	91	CARRIER AIRCON	25.1	16.4
50	90	TRAFALGAR HOUSE CONSTN	24.8	13.4

51	9	ITI	24.6	148.5
52	58	DEEPAK FERTILISERS	23.9	29.5
53	17	ELECTRO STEEL CASTINGS	22.7	74.0
54	186	DR REDDYS LABORATORIES	22.5	1.1
55	37	CONTAINER CORP OF INDIA	21.8	39.3
56	149	HFCL	21.6	(3.6)
57	54	SMITHKLINE BEECHAM CONS	21.4	30.8
58	30	ALEMBIC CHEMICAL	21.2	47.2
59	198	MALVIKA STEEL	21.2	(28.0)
60	28	BAYER INDIA	20.6	49.4
61	55	MADRAS REFINERIES	19.9	29.6
62	102	USHA	19.9	11.4
63	97	DABUR	19.7	13.0
64	42	BRITANNIA INDUSTRIES	19.7	35.3
65	140	LARSEN & TOUBRO	19.4	0.1
66	114	SHREE KRISHNA PETRO	19.3	8.7
67	192	CMC	19.3	(23.5)
68	132	GUJARAT AMBUJA	19.2	2.1
69	153	SURYA ROSHNI	19.0	(5.3)
70	21	CIPLA	19.0	58.3
71	59	BPL	18.5	29.4
72	111	CADBURY	18.5	9.0
73	105	RECKITT AND COLMAN	18.4	9.9
74	45	JK INDUSTRIES	18.3	33.9
75	130	MIRC ELECTRONICS	18.2	3.3
76	257	INDO RAMA SYNTHETICS	17.8	(622.7)
77	98	RCF	17.5	12.7
78	23	WIPRO	17.4	52.7
79	64	NESTLE	17.4	27.5
80	74	GLOBAL TELESYSTEMS	17.3	23.0
81	94	HEG	17.3	13.4
82	87	TRIVENI ENGINEERING	17.3	16.8
83	27	VSNL	17.1	49.8
84	189	NATIONAL STEEL INDUSTRIES	16.8	(22.2)
85	76	MARICO INDUSTRIES	16.8	20.9
86	34	TATA TEA	16.5	40.8
87	215	TAMIL NADU NEWSPRINT	15.9	(43.5)
88	43	BERGER PAINTS	15.8	34.0
89	90	HINDUSTAN ZINC	15.2	14.7
90	210	JINDAL IRON AND STEEL	15.2	(41.1)
91	164	HOECHST MARION ROUSSEL	14.7	(9.1)
92	103	BSES	14.1	10.5
93	81	ENGINEERS INDIA	13.9	19.9
94	99	IPCA LABORATORIES	14.7	18.1
95	67	GAS AUTHORITY OF INDIA	14.3	26.7
96	46	GODFREY PHILLIPS	13.8	33.0
97	123	VIDEOCON APPLIANCE	14.0	7.4
98	86	VIDEOCON INTERNATIONAL	13.9	18.6
99	31	NOVARTIS	13.2	46.4
100	44	BHEL	13.1	(20.4)

The top ten tumble

Creditworthiness, which is measured by the interest coverage ratios (ICRs), relates the financial charges on a company to its ability to service its debt from the earnings of its business. The higher it is, the greater the ability of the firm to meet its debt obligations. Typically, companies that are in a growth mode and are implementing huge projects need to structure their finance with a blend of equity and debt components. So, debt as a means of financing plays an important role in industrialisation. This apart, the capital gearing of a company, that is, the ratio of debt to equity, would also determine a company's creditworthiness. If a company is over-leveraged, then the proposal of enhancing the exposure to the company and the company's debt servicing capacity, become questionable. Combining the two and using yet another yardstick, the return on capital employed (ROCE), would distinguish the financially riskier companies from the healthy lot. In the last ratio, if a company has not been able to generate a decent return, clearly, good money is going down the drain.

Over the years with the cost of finance witnessing swings, corporate chieftains have been forced to adjust their financing programmes accordingly. In the early years the equity route was preferred but as companies were unable to make profits and pay

companies last year ended with Usha India. The company then had an ICR of 2.6 times; this year it is slightly higher at 3.1 times.

In our study during the last financial year companies that made it to the top ten in terms of creditworthiness, have now gone for a toss. For instance, Colgate, which was number one last year, has slipped down to the eighth position, mainly because its ROCE has almost halved from 47.5 to 25.3 per cent. Also, the interest coverage ratio which was a four-digit (1,243.8 times) figure, has dropped to 377.5 times. Save for the other three companies — VSNL, Punjab Tractors and Container Corporation — there are six new companies that have made it to the top 10 grade. While VSNL's interest coverage ratio is the highest of 19,655 times, Punjab Tractors has achieved the distinction of earning the highest ROCE of a whopping 57.7 per cent, followed by SmithKline Beecham at 53.5 per cent. A highlight has been the entry of the hot IT company, Infosys Technologies, which did not find itself in last year's list of top 100 companies and is now occupying the number five slot.

The ones that have ended out of the top 10 are mainly those that have reported declining ROCE ratios. Hindalco last year enjoyed an ICR of 134.2 times and a ROCE of 11.2 per



1	VSNL	19655.0	0.0	36.2
2	ENGINEERS INDIA	1878.0	0.0	34.3
3	PUNJAB TRACTORS	1769.0	0.0	57.7
4	NATIONAL MINERAL DEV CORP	1647.0	0.0	20.7
5	INFOSYS TECHNOLOGIES	1559.0	0.0	27.1
6	SMITHKLINE BEECHAM CONS	1165.0	0.0	53.5
7	KRISHNA TEXPORT INDUSTRIES	423.0	0.0	21.2
8	COLGATE PALMOLIVE	377.5	0.0	25.5
9	INGERSOLL RAND	249.1	0.0	39.1
10	CONTAINER CORP OF INDIA	189.7	0.2	37.6
11	BAJAJ AUTO	165.9	0.1	25.0
12	SMITHKLINE BEECHAM PHARMA	125.0	0.0	34.2
13	MALVIKA STEEL	115.0	2.2	0.5
14	CASTROL INDIA	88.6	0.0	49.3
15	CIPLA	54.3	0.1	32.5
16	HINDUSTAN LEVER	39.6	0.2	58.7
17	CUMMINS INDIA	31.5	0.0	25.4
18	MTNL	26.9	0.6	19.5
19	NOVARTIS INDIA	25.8	0.1	38.1
20	GODFREY PHILLIPS	24.4	0.4	32.3
21	TATA INFOTECH	24.3	0.2	30.9
22	HERO HONDA MOTORS	23.7	0.3	45.7
23	PROCTER AND GAMBLE	23.4	0.2	41.2
24	BHARAT HEAVY ELECTRICALS	21.1	0.1	20.5
25	RECKITT AND COLMAN OF INDIA	18.6	0.1	30.3
26	NEYVELI LIGNITE CORP	17.3	0.2	14.1
27	GAS AUTHORITY OF INDIA	14.4	0.5	21.5
28	MOTOR INDUSTRIES	13.3	0.2	22.0
29	MARICO INDUSTRIES	12.9	0.0	38.6
30	HIND LEVER CHEMICALS	12.7	0.5	30.1
31	CARRIER AIRCON	12.1	0.0	36.9
32	GLAXO	11.8	0.1	31.9
33	HINDUSTAN PETROLEUM CORP	11.8	0.3	21.8
34	NIIT	11.7	0.3	32.7
35	THERMAX	11.6	0.0	15.3
36	TATA TEA	11.2	0.5	29.5
37	HINDUSTAN ZINC	11.1	0.1	15.8
38	COCHIN REFINERIES	10.9	0.4	34.0
39	NATIONAL ALUMINIUM	10.0	0.2	11.0
40	BRITANNIA INDUSTRIES	9.7	0.8	24.1
41	TORRENT PHARMACEUTICALS	9.6	1.0	8.8
42	HINDALCO INDUSTRIES	9.5	0.2	20.2
43	TRAFALGAR HOUSE CONST	8.7	0.1	16.7
44	EIH	8.6	0.4	12.8
45	PIDILITE INDUSTRIES	8.0	0.4	31.7
46	JINDAL PHOTO FILMS	8.0	0.0	7.8
47	HCL INFOSYSTEMS	7.8	0.7	21.5
48	RANBAXY LABORATORIES	7.7	0.3	10.7
49	INDIAN HOTELS	7.7	0.2	16.7
50	NIRMA	7.5	0.8	18.9

51	IRCON INTERNATIONAL	7.2	0.0	11.6
52	ITC	7.1	0.6	31.9
53	CADBURY	7.0	0.1	21.9
54	DR REDDYS LABORATORIES	6.6	0.3	15.6
55	BHARAT PETROLEUM CORP	6.5	0.6	24.2
56	TVS SUZUKI	6.3	0.9	26.2
57	BATA	6.3	0.1	24.9
58	PENTAFOUR SOFTWARE	6.1	0.1	22.7
59	ASEA BROWN BOVERI	6.1	0.0	12.6
60	WIPRO	6.0	0.6	29.6
61	SHREE KRISHNA POLYESTER	5.3	0.2	12.3
62	OIL & NATURAL GAS CORP	5.3	0.3	13.6
63	ASIAN PAINTS	5.2	0.7	22.3
64	SUASHISH DIAMONDS	5.2	0.7	11.7
65	RCF	5.0	0.3	13.8
66	COROMANDEL FERTILISERS	4.8	0.8	27.0
67	BONGAIGAON REFINERIES	4.7	0.1	6.8
68	ELECTRO STEEL CASTINGS	4.7	0.7	34.4
69	FINOLEX CABLES	4.6	0.2	16.1
70	COLOUR CHEM	4.6	0.5	19.5
71	COATS VIYELLA	4.6	0.2	10.1
72	NICHOLAS PIRAMAL	4.5	0.4	15.4
73	CMC	4.5	0.7	17.4
74	SHREE KRISHNA PETRO	4.4	0.4	13.2
75	GOODLASS NEROLAC PAINTS	4.4	0.5	18.8
76	AUROBINDO PHARMA	4.2	0.9	30.8
77	EICHER	4.2	0.9	12.2
78	BERGER PAINTS	4.2	0.7	16.8
79	LIBERTY OIL MILLS	4.2	0.4	28.3
80	BSES	4.1	0.5	14.4
81	SATYAM COMPUTER SERVICES	3.9	1.5	25.0
82	IVP	3.9	0.6	37.7
83	INDO GULF CORPORATION	3.8	1.0	9.0
84	BPL	3.8	0.8	17.0
85	NESTLE	3.8	0.9	31.6
86	LARSEN & TOUBRO	3.7	0.9	8.6
87	GREAT EASTERN SHIPPING	3.7	0.8	10.0
88	ANDHRA VALLEY	3.6	0.7	12.0
89	TATA HYDRO-ELECTRIC	3.6	0.8	12.7
90	TATA POWER	3.5	0.7	11.9
91	MADRAS REFINERIES	3.5	0.9	19.5
92	RELIANCE INDUSTRIES	3.4	1.2	11.6
93	ADANI EXPORT	3.3	1.0	15.9
94	INDIAN ALUMINIUM	3.3	0.6	11.8
95	INDIAN OIL CORPORATION	3.3	0.8	17.6
96	GAMMON INDIA	3.3	0.6	17.2
97	GLOBAL TELESYSTEMS	3.3	1.1	17.3
98	SUNDRAM FASTENERS	3.2	0.7	18.6
99	MRF	3.1	1.6	24.6
100	TAMIL NADU PETROPRODUCTS	3.1	1.3	12.9

COST-CONSCIOUS COMPANIES

In fine trim

With Indian corporates witnessing tough times in the past couple of years, several have made conscious efforts to cut costs and adopt strategies that would help them improve the input-output ratio. This could either be done by trying to extract more than the rated capacity of a plant with no commensurate change in overheads or by improving inventory management or even astute working capital deployment. There are several companies which have made capital investments in various packages to gain an edge in managing business logistics. After great resistance it has dawned on promoters to invest in packages such as ERP. Often, these promoters postpone deploying such packages, because of the cost factor without even bothering to factor in the percentage of saving that could be brought about.

To get to know which companies are pretty cost-conscious, we thought that the operating profit margin would be a good indicator of how well a company has performed. However, since the OPMs differ from industry to industry — that is, the margins from the service sector tend to be higher than those in manufacturing — we felt that growth in OPM over the previous year would be a better indicator.

Though several corporates have been commanding good margins and maintaining growth rates, the toppers in the cost-conscious 100 may not give the right picture for some of them had incurred operating losses in the previous year. At the top of the heap is Godrej Foods. Though at the operating level the company has posted a 32 times jump in OPM, its bottomline is bleeding thanks to a high interest burden. Along with other companies in the Godrej stable, this company is also slated for restructuring; it is said that Andersen Consulting is advising the company on improving operational efficiencies. The restructuring exercise, once completed, is expected to bring about a saving of Rs10 crore and help the company stage a turnaround.

JK Synthetics is another company which is reeling under a huge debt burden. This Gaur Hari Singhania flagship company needs to do a lot of spring cleaning in terms of exiting the synthetic textiles and PFY businesses and focus on cement production. Indications are that sale of its textiles business is imminent; talks with interested buyers have failed in the past because of the price factor.

Debt has also taken a toll on Whirlpool of India. Nevertheless, of the three companies, this one is in for a long haul. Its OPM has looked up and the company has initiated some cost-cutting measures by going in for low-cost borrowing [FCNR (B)]. In the middle of this year, though the company had huge losses on its books, it came out with a rights issue at a premium of Rs2 per share. The proceeds were used to retire high-cost debt and working capital needs. The US parent has an 82 per cent holding and is confident of turning around the company in the next accounting year.

While the three companies have improved from their negative margins last year leading to the high growth rate, Finolex Industries is actually a topper from a positive margin position. It posted an 82 per cent jump in OPM to 27.7 per cent. The company is said to have initiated a debottlenecking programme which has increased its capacity utilisation by a fifth. Looking at the rise in domestic demand for PVC products, the company is expanding capacity further to cater to the southern markets.

Looking at the top 10 cost-conscious companies, there is just one name which is familiar; that of Cochin Refineries. It more than doubled its operating margin to 14 per cent. The company is one of the largest beneficiaries of the deregulation process as the refining sector has been completely decontrolled. Besides, its depreciated plants and low per unit cost of production is working to its advantage *vis-a-vis* the new capacities.

The software companies seem to be all over the place. Being in a high margin business, the companies, however, do not figure high up in the list of cost-conscious companies because of the steady growth in margins. In the top 100, there are just a dozen-odd multinationals and an equal number from the public sector with the rest comprising private sector players. The Tatas and the Birlas have a fair share of representation in this list, unlike last year when the former did not manage to get even an edge into the cost-conscious 100. However, the flip side of this is that in the top 100 list more than 60 per cent of the companies do not stand a chance in the Super 100 ranking. Now, is there a message in this? •

In the top 100 list more than 60 per cent of the companies do not stand a chance in the Super 100 ranking. Is there a message in this?

1	GODREJ FOODS	4 3	(0 1)	3200 9	
2	JK SYNTHETIC	1 6	(8 7)	1189	
3	WHIRLPOOL	2 3	(14 4)	1160	
4	HINDUSTAN COPPER	(0 9)	(8 0)	884	
5	FINOLEX INDUSTRIES	27 7	15 2	824	
6	MODERN SYNTEX	4 8	2 8	752	
7	CESC	21 2	12 9	645	
8	ITC AGROTECH	(0 4)	(1 0)	620	
9	COCHIN REFINERIES	14 0	8 7	614	
10	BIRLA CORP	4 2	2 7	583	
11	HCL INFOSYSTEMS	9 5	6 5	473	
12	THAPALCAR HOUSE CONST	6	3 2	426	
13	KRISHNA TEXPORT INDUST	13 6	9 8	382	
14	RAYMOND SYNTHETIC	12 1	8 8	382	
15	CENTURY ENKA	19 8	14 4	376	
16	SUPREME PETROCHEM	15 0	11 1	344	
17	COLOUR CHEM	15 9	11 9	343	
18	ACC	13 8	10 3	341	
19	GLOBAL TELESYSTEM	23 7	17 9	324	
20	BATA	8 6	6 6	302	
21	NOVARTIS	17 7	13 6	300	
22	MRF	18 1	14 0	294	
23	USHA	7 2	5 6	280	
24	ENGINEERS INDIA	43 7	34 2	278	
25	ADANI EXPORT	4 5	3 5	264	
26	COROMANDEL FERTILISERS	20 3	16 2	256	
27	TATA TEA	25 3	20 4	237	
28	NAGARJUNA FERTILISERS	42 1	34 2	232	
29	ALEMBIC CHEMICAL WORKS	16 5	13 4	232	
30	EICHER	9 5	7 7	229	
31	VSNL	28 5	23 2	227	
32	USHA ISPAT	5 4	4 4	226	
33	MODI RUBBER	8 0	6 6	221	
34	DCW	16 2	13 3	221	
35	BALAJI INDUSTRIAL CORP	13 0	10 6	221	
36	BLUE STAR	8 1	6 7	204	
37	EID PARRY	14 6	12 2	202	
38	SIEMENS	7 7	6 5	178	
39	APAR INDUSTRIES	11 3	9 6	178	
40	BHARAT FORGE	25 7	21 9	177	
41	KIRLOSKAR BROTHERS	12 0	10 2	175	
42	ATUL	21 7	18 6	164	
43	CHAMBAL FERTILISERS	43 5	37 5	163	
44	RAYMOND	23 4	20 3	153	
45	EXIDE INDUSTRIES	20 1	17 5	147	
46	MANGALORE CHEM & FERT	11 6	10 1	144	
47	INDIAN OIL CORP	7 7	6 7	143	
48	MUKAND	13 3	11 7	138	
49	DCM SHRIRAM INDUSTRIES	14 6	12 9	132	
50	MALVIKA STEEL	1 5	1.4	127	
51	INDIAN ALUMINIUM	17 8	15 8	123	
52	DCM SHRIRAM CONSOLIDATED	16 2	14 5	121	
53	UTTAM ISPAT	12 0	10 7	120	
54	ELECTROSTEEL CASTING	28 9	25 9	116	
55	BRITANNIA INDUSTRIES	7 9	7 1	115	
56	GUJARAT NARMADA VALLEY	20 6	18 5	113	
57	CROMPTON GREAVES	9 5	8 6	109	
58	UNITED PHOSPHORUS	16 3	14 7	108	
59	HERO HONDA MOTORS	13 1	11 8	107	
60	ITC	32 8	29 7	106	
61	HINDUSTAN LEVER	13 0	11 8	102	
62	KIRLOSKAR ENGINE	20 5	18 6	101	
63	TAMIL NADU NEW ISSUE	26 6	24 2	100	
64	INFOSYS TECHNOLOGIES	37 4	34 0	100	
65	FIDELITY INDUSTRIES	21 0	19 1	98	
66	IPCA LABORATORIES	15 0	13 7	97	
67	BHUSHAN STEEL	18 8	17 1	96	
68	TAMIL NADU PETROPRODUCTS	9 6	27 1	92	
69	THE WEST COAST PAPER MILLS	10 4	9 5	90	
70	PUNJAB TRACTOR	19 7	18 1	87	
71	TUBE INVESTMENTS OF INDIA	10 9	10 0	86	
72	RALLIS INDIA	7 7	7 1	85	
73	ALFA LAVAL	11 9	13 7	84	
74	FERRITE INDUSTRIES	17 6	16 3	80	
75	WIPRO	15 3	14 2	77	
76	TATA HYDRO ELECTRIC	35 0	32 5	77	
77	THE BOMBAY DYEING	16 7	15 5	76	
78	PROCTER AND GAMBLE	2 4	20 8	75	
79	ASHOK LEYLAND	10 8	10 1	73	
80	NEYVELI LIGNITE CORP	55 7	52 0	72	
81	AHMEDABAD ELECTRICITY	18 3	17 1	71	
82	OIL NATURAL GAS CORP	32 3	30 2	70	
83	TATA INFOTECH	17 1	16 3	70	
84	ANDHRA VALLEY POWER	34 7	32 4	68	
85	EXCEL INDUSTRIES	15 6	14 6	68	
86	NIRMA	19 8	18 6	67	
87	CUMMINS INDIA	20 0	18 8	64	
88	MITHILESH ELECTRICAL	21 9	20 6	63	
89	INGERSOLL RAND	23 7	22 4	61	
90	CADBURY	14 7	13 9	60	
91	BPL	9 8	9 3	57	
92	KESORAM INDUSTRIES	19 8	18 7	56	
93	HINDALCO INDUSTRIES	48 2	45 8	53	
94	SURYA ROSHNI	13 6	12 9	48	
95	AUROBINDO PHARMA	15 6	14 9	47	
96	GODFREY PHILLIPS	14 9	14 2	46	
97	JAYASWALS NECO	16 4	15 7	43	
98	TATA IRON & STEEL	19 4	18 6	42	
99	TATA POWER	34 5	33 2	41	
100	NIIT	33 4	32 1	40	

RETURN TO SHAREHOLDERS

Infallible infotech

As we approach the new millennium corporate India is reeling under tremendous pressure to create shareholder value. The marketplace has changed and become sophisticated. Investors today have become more discerning. The advent of matured investors — foreign financial institutions and a new breed of equity analysts, who have done a lot of research, have put corporates under the microscope. Even domestic broking houses have strengthened their research arms to keep tabs on companies' performances. As a natural process, the companies that perform well enjoy a better valuation on the bourse and vice-versa. Investors are increasingly looking at the track record of companies in wealth creation before making investments.

On to our study. The paradigm shift in valuation in our study of the top 100 companies has a few pointers. Ranked on the basis of the share price appreciation over the last five years, the infotech-frenzy stocks, Infosys Technologies, Satyam Computers, NIIT and Wipro, are four out of the first six companies at the top of the heap. The other two that made it to the top are Adani Exports and South India Corporation (Agencies), both trading houses.

The pharma and FMCG sectors, which did well last year, continue to perform well this year too. Hot favourites like Grasim, Pentafour Software, Britannia, Cadbury, Ranbaxy, Cipla, Hindustan Lever, Hero Honda, Dr Reddy's, etc, have given handsome returns both over a year and a five-year horizon. Over the last five years, blue chips of yesteryears like Century, ACC, Tisco, Telco, MICO, *et al*, purely on the basis of their share price, have either showed a negative return or the appreciation in the stock price has been below the average rise of the market. Out of the top 100 companies, 34 have reported a fall in their stock prices.

Today, investors look at prospective earnings; historical values have gone for a toss. Not surprising then, that big industrial groups who have failed miserably in creating wealth for their shareholders have lost out in the recent stock rally too. Many mid-cap and family-run companies (which have turned out to be wealth destroyers), with minimal accountability to shareholders, do not figure in our list of Super 100. In order to gain investors' attention, these companies have to turn professional, become more accountable to shareholders and address the marketplace more aggressively. They can no longer ignore the current scenario wherein raising cheap capital puts a company ahead of the pack. It's time they woke up from slumber.

With the Indian economy opening up, Indian corporates, to meet their funding obligations, have been allowed to access the overseas markets too. But only those companies that understand the demands and expectations of investors, can make it to the global market. Clearly, for some domestic companies, the learning curve has been smooth as compared to others. Those who have moved into the fast lane and learnt that the major criterion for attracting capital of any sort is the creation of shareholder value, have reaped the benefits and have already garnered funds from overseas investors. On the other hand, those that have raised money from shareholders, have to fulfil their mandate.

A lesson underperformers in the stockmarket need to learn is that till they show concern for the shareholders, raising funds will continue to be a tough task. For instance, recently one has noticed a distinct trend of information technology companies hitting the market. On the bourse, companies from this sector have already demonstrated their ability to create shareholder value; hence, the new entrants to the capital market have succeeded in raising resources. Like the earlier IPO booms, here too, one is likely to see a few value destroyers that may make a beeline to the capital market.

The *mantra* in the corporate sector is core competency. And to that end, various *mantras* like value addition, restructuring, hiving-off, unlocking value, etc, have come into being. Based on this and the actual performance of a company, the stockmarket has started assigning particular values to scrips. The business model and the capital market in tandem are going to be the value drivers of a stock. This whole process in investment analysts' terminology has been called 're-rating'. This will definitely separate the men from the boys. At the end of the day, for the investor at large, the market value of the stock is more important. •

The business model and the capital market in tandem are going to be the value drivers of a stock. This whole process in investment analysts' terminology has been called 're-rating'. This will definitely separate the men from the boys

10	1	INFOSYS TECHNOLOGIES	8062	1204 00	118 75	1139 2	6689 1
16	2	SATYAM COMPUTER	1681	305 82	28 5	449 7	5802 4
19	3	ADANI EXPORT	651	129 61	19 0	402 3	3326 3
45	4	NIIT	2340	889 00	128 9	163 2	1715 6
104	5	SOUTH INDIA CORP	367 5	211 36	35 0	73 9	950 0
247	6	WIPRO	1125	1858	116 7	202 75	864 3
40	7	GRASIM INDUSTRIE	455 25	164 7	57 5	176 4	691 7
75	8	HERO HONDA MOTORS	1180	555 25	172 0	112 5	586 0
65	9	PLNTAFOUR SOFTWARE	695	299 11	127 3	132 4	445 8
22	10	IPLA	1280	319 30	281 6	451 35	354 5
108	11	BRITANNIA INDU TRIE	853	301 95	215 0	69 9	296 7
3	12	CADBURY	805	1 3	218 2	739 4	268 9
136	13	HINDUSTAN LEVER	2338	1627	640 0	43 7	265 3
4	14	GLOBAL TELESYSTEMS	519 6	72 15	160 0	620 2	224 8
248	15	TATA INFOTECH	598 9	1007	188 9	(40 5)	216 9
160	16	TVS SUZUKI	725	579 25	230 0	25 2	215 2
24	17	RANBAXY LABORATORIE	993	256 12	330 0	287 7	200 9
39	18	DR REDDYS LABORATORIES	1262	449 5	420 0	180 8	200 5
38	19	PIDILITE INDU TRIES	650	229 9	220 0	182 7	195 5
144	20	GLAXO	737	541	255 0	36 2	189 0
13	21	UNITED BREW	128	20 85	45 0	513 9	184 4
154	22	SMITHKLINE BEECHAM CON	628	489 75	245 85	28 2	155 4
41	23	DABUR	970	351 25	400 0	176 2	142 5
55	24	ORCHID CHEMICAL	279 85	114 4	112 8	138 5	142 0
89	25	HCL INFOSYSTEM	450	240 5	200 0	89 2	127 5
225	26	SMITHKLINE BEECHAM PHARMA	14 05	378	142 5	(16 9)	120 4
9	27	MCDOWELL	154 55	22 5	72 5	586 9	113 2
80	28	KODAK INDIA	515 7	257 68	252 5	100 1	104 3
2	29	HFCL	326 35	33 5	160 0	874 2	104 0
162	30	NESTLE	519 9	416	256 7	25 0	102 6
118	31	GODFREY PHILLIPS	621 25	384	315 0	61 8	97 2
192	32	ITC	770	739	395 0	4 2	94 9
93	33	EXIDE INDUSTRIES	262 3	141 5	145 1	85 4	80 8
103	34	BERGER PAINTS	98 4	56 4	54 9	74 5	79 1
63	35	MAHINDRA & MAHINDRA	390	167 4	219 0	133 0	78 1
74	36	COROMANDEL FERTILISERS	75	35	43 6	114 3	77 1
48	37	GUJARAT AMBUJA	572 45	224 1	340 0	155 4	68 4
130	38	HIND LEVER CHEMICALS	489 9	329	297 9	48 9	64 4
51	39	NIRMA	750	306	465 6	145 1	61 1
31	40	NALCO	57 45	17 55	36 0	227 4	59 6
68	41	SUNDRAM FASTENERS	715 75	325	450 0	120 2	59 1
105	42	CUMMINS INDIA	526	304 3	335 0	72 9	57 0
201	43	BHEL	270 1	267 1	177 5	1 1	52 2
6	44	TORRENT PHARMA	490 65	68 8	325 0	613 2	51 0
14	45	BHARAT FORGE	299 05	49 5	200 0	504 1	49 5
49	46	LARSEN & TOUBRO	408	160 9	280 0	153 6	45 7
18	47	MIRC ELECTRONICS	429 5	82 5	295 0	420 6	45 6
72	48	HOECHST MARION ROUSSEL	711	327 25	504 4	117 3	41 0
146	49	ASIAN PAINTS	399	294	285 0	35 7	40 0
52	50	BPL	319	132 1	235 0	141 5	35 7

178	51	CASTROL	375	329 15	277 7	13 9	35 0
236	52	BAJAJ AUTO	418 55	562 75	329 7	(25 6)	27 0
99	53	TATA TEA	544	306 25	430 0	77 6	26 5
95	54	RELIANCE INDUSTRIE	23c	126 8	186 3	83 0	24 6
77	55	ESCORTS	139 45	76 45	130 0	108 6	22 7
125	56	HINDALCO INDUSTRIE	848	552	713 0	53 6	18 9
83	57	GOODYEAR	106 9	54 15	92 5	97 4	15 6
200	58	ICI	200 7	198 2	175 0	1 3	14 7
165	59	RL KITT AND COLMAN	374 6	305	332 5	22 8	12 7
42	60	APOLLO TYRE	176	64 95	160 0	171 0	10 0
102	61	NICHOLA PIRAMAL	598 7	343	550 0	74 5	8 9
135	62	GUJARAT INDU RIL	38 6	26 85	36 0	43 8	7 2
233	63	JAGATJIT NDUSTRIE	78 4	102	75 0	(23 1)	4 5
15	64	EVEREADY INDUSTRIE	75 75	12 6	73 8	501 2	2 7
209	65	MTNL	182 25	193 5	177 5	(5 8)	2 7
181	66	INGER OLL RAND	460 25	409 5	455 0	12 4	1 2
1 6	67	AHMEDABAD ELEC	59 8	52	63 2	15 0	(5 4)
166	68	GODDA MFG LA	166 15	135 5	177 6	22 6	(6 5)
54	69	ACC	20F 1	86 41	227 4	173 13	(9 4)
14	70	BLUE TAR	69	50 1	80 6	38 9	(13 6)
121	71	DEEPAK FERTILISE	92 65	14 1	96 5	60 6	(14 5)
1	72	MOTOR INDUSTRIE	5363	1 4	2920 0	36 8	(14 9)
229	73	A FA BROWN BOVER	41 1	510	506 3	(19 0)	18 4)
249	74	CAFRIF AR A	1 4 9	211 9	153 8	(41 1)	(18 8)
128	75	MRF	2190	1466	7700 0	49 4	(18 9)
195	76	BSES	164 9	160	205 0	3 1	19 6)
58	77	SIEMENS	474 95	199 76	592 6	137 8	(19 9)
243	78	BATA	140	216 7	174 9	(35 4)	(20 0)
110	79	MADRA E MENT	7279	4304	9250 0	69 1	(21 3)
198	80	OSWAL HEMI AL	17 1	16 85	22 0	1 5	(22 3)
23	81	TUBE INVE TMEN	138 15	35 3	180 0	291 4	(21 3)
47	82	INDO GULF CORP	76 9	30	102 5	156 3	(25 0)
71	83	CAMMON INDIA	140 5	64 5	189 9	117 8	(26 0)
235	84	EIH	200	265 8	274 1	(24 8)	(27 0)
133	85	IVP	69 7	48	96	45 2	(27 9)
113	86	TELCO	232	141	325 0	64 5	(28 6)
35	87	FINOLEX CABLE	256 7	89 27	360 9	187 6	(28 9)
12	88	JAIPRAKASH INDU RI	51	86	780	516 3	(32 1)
221	89	INDIAN HOTE	382	428 25	575 0	(10 8)	(33 6)
30	90	LUPIN LABORA RIES	371 35	111 3	560 0	233 6	(33 7)
36	91	MODI RUBBER	74 65	26 05	115 0	186 6	(35 1)
53	92	STERLITE INDU TRIES	379 2	158 8	585 0	138 8	(35 2)
180	93	VIKRANT TYRE	27	24	42 5	12 5	(36 5)
111	94	SUPREME INDUSTRIES	288 5	173 7	455 0	66 1	(36 6)
92	95	IPCL	114	61 25	182 5	86 1	(37 5)
174	96	BHARAT PETROLEUM	306	263 7	490 0	160	(37 6)
88	97	IPCA LABORA RIES	240 2	125 4	390 0	91 5	(38 4)
61	98	EXCEL INDUS RIL	328	139 9	533 3	134 5	(38 5)
59	99	RCF	18 6	7 9	31 0	135 4	(40 0)
86	100	HINDUSTAN ZINC	17 3	8 95	29 0	93 3	(40 3)

WEALTH CREATORS

Private sector leads the pack

Wealth creation is a process by which a company enhances the return on the stakeholders' funds (networth). Year after year, the net profit of the company determines this rate. During the 1990s, the average profitability of Indian corporates — although many stayed in the black — has seen a roller-coaster ride. Moving as a pillion on this ride, the return on net worth (RONW) has also swung. Ditto for the wealth creation based on the RONW as the yardstick. But if one uses this indicator in conjunction with other indicators like the market capitalisation (a function of future profitability), the true worth of the stockmarkets valuation of a company emerges

The slightest suggestion of a falling RONW and discerning investors drop the stock like a hot potato. Realising its importance, companies have begun to pay more attention to improving profitability. They have, in many ways, started implementing profit enhancement programmes. The goal of these programmes is to examine each department within the organisation and identify avenues where costs can be reduced. Lower the cost of production means lower the variable cost and improved profit margins.

In our study on wealth creators, the top 10 companies are all from the private sector. Leading the pack is Hindustan Lever. Last year, the number one company in this category, Kirloskar Oil Engines, is in the process of merging with Shivaji Works; and as the balance sheet is not ready yet, the company could not be part of the study. Punjab Tractors, which over the last five years, has been posting impressive working results and continuously adding to its networth, has continued with its stellar performance. The company, despite witnessing a minor drop in its RONW, occupies the number three slot. Followed by the two-wheeler company, Hero Honda, and the lubricant major, Castrol. By and large, the scene on the top has been dominated by infotech companies — Satyam Computers, Wipro and NIIT. No doubt then, that these companies have become investors' delight and also enjoy a good standing in the market capitalisation category. India's largest listed software company, Infosys, however, is way below, largely due to its huge equity thanks to the regular bonus shares that the company has issued.

It was either shrinking bottomlines or bloating capital which took their toll on the RONW of many companies. In the overall list of the Super 100 companies ranked by RONW, a large chunk of 47 companies, when compared to their previous year's rate of return, showed a negative growth in percentage terms. The noteworthy companies (drop of over 30 per cent) in this segment are JK synthetics, Infosys Technologies, Godavari Fertilisers and Hoechst Marion Roussel.

However, the most important ones are those from two distinct categories that will give a clear trend of companies which are turning the corner. The first category is of companies which have moved from a negative RONW in the previous year to a positive one this year and the second is of companies, which, from a return of a single digit, have moved to over a double digit. In the first bunch, there are just two companies, Supreme Petrochem (82nd position) and DCW Shriram (98th). The second lot consist of six companies — Liberty Oil Mills, Colour Chem, Chemplast Sanmar, The West Coast Paper Mills, ITI and Neyveli Lignite Corporation.

Managements are also realising the direct relationship between RONW and the stock price. Companies that have restructured their operations in the last couple of years have seen their returns on networth rise. Aurobindo Pharma, which has risen in all the other categories too, has seen its returns on networth improve dramatically.

Although profits can be enhanced by increasing the selling price of a product, in the post-liberalisation scenario competition has increased dramatically. As a result, we have seen that it is the market forces that determine the price at which the manufacturer can sell his product. Which means that determining the selling price is out of the hands of the producer. So, companies, in order to be profitable, have to look for other factors which are under their control. One obvious idea is: why not look within? And here, the best thing to do is to reduce costs, which should be made an ongoing exercise. It is well known that high costs eat into profitability. No quick fixes here. •

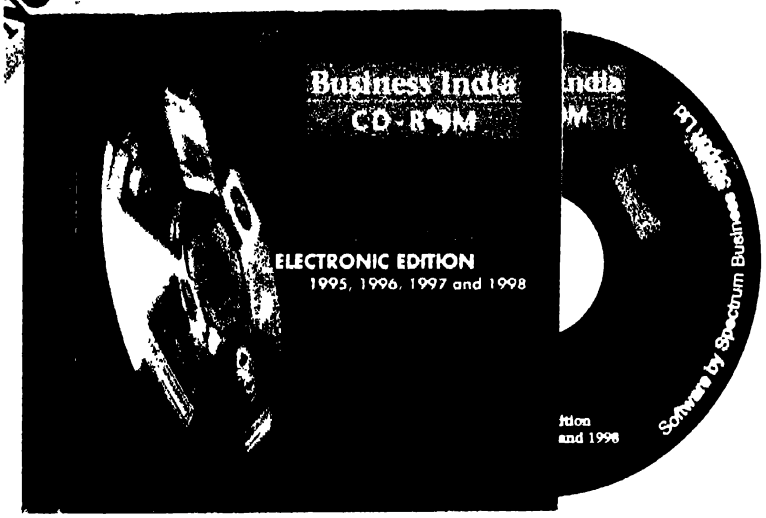
There are two trends of companies turning the corner. The first is of companies which have moved from a negative RONW in the previous year to a positive one this year and the second is of companies, which, from a return of a single digit, have moved to over double digits

SUPER RANK 1999	RONW RANK 1999	COMPANY	RONW 1999 (%)	RONW 1998 (%)	RONW GROWTH (%)
11	1	HINDUSTAN LEVER	48.9	46.0	6.3
58	2	SATYAM COMPUTER	43.6	38.0	14.7
64	3	PUNJAB TRACTORS	42.1	42.2	(0.2)
29	4	HERO HONDA MOTORS	41.5	37.8	9.8
54	5	CASTROL INDIA	40.3	43.2	(6.7)
147	6	AUROBINDO PHARMA	40.3	34.2	17.6
119	7	PROCTER AND GAMBLE	39.3	24.1	63.1
27	8	WIPRO	39.0	34.2	14.2
108	9	SMITHKLINE BEECHAM CON	37.1	36.4	1.7
97	10	NIIT	37.1	35.1	5.7
137	11	ELECTRO STEEL CASTINGS	31.8	30.7	13.4
47	12	TVS SUZUKI	34.1	38.0	(12.8)
37	13	NESTLE	31.9	28.7	8.9
256	14	JK SYNTHETI	31.1	75.2	(58.7)
158	15	MARICO INDUSTRIES	31.0	30.7	1.0
51	16	CONTAINER CORP	29.9	32.0	(6.6)
159	17	GODFREY PHILLIPS	29.6	30.4	(2.7)
161	18	TATA INFOTECH	29.5	28.9	1.9
107	19	HCL INFOSYSTEMS	29.4	15.1	94.6
228	20	IVP	29.2	24.6	18.7
23	21	COCHIN REFINERIES	28.8	25.5	12.8
115	22	HIND LEVER CHEMICALS	28.8	20.3	41.6
19	23	ITC	28.8	31.1	(7.4)
165	24	COROMANDEL FERTILISERS	28.7	27.2	5.7
88	25	TATA TEA	28.7	27.0	6.6
222	26	CARRIER AIRCON	28.5	33.0	(13.6)
41	27	MRF	28.3	23.6	20.1
175	28	PIDILITE INDUSTRIES	27.0	24.3	11.2
92	29	NOVARTIS	26.9	16.5	63.2
36	30	NIRMA	26.8	31.8	(15.8)
157	31	INGERSOLL RAND	26.8	33.7	(20.5)
15	32	BRITANNIA INDUSTRIES	26.5	23.9	11.0
76	33	CIPLA	25.5	28.9	(11.9)
67	34	VSNL	25.4	23.9	6.4
81	35	GAS AUTHORITY OF INDIA	25.3	29.9	(15.4)
208	36	LIBERTY OIL MILLS	25.0	3.2	679.2
146	37	DEEPAK FERTILISERS	24.7	29.4	(16.0)
18	38	INFOSYS TECHNOLOGIES	23.9	35.8	(33.2)
209	39	RECKITT AND COLMAN	23.8	24.7	(3.7)
170	40	MIRC ELECTRONICS	23.6	21.3	10.9
206	41	LML	23.5	25.4	(7.5)
174	42	DUNCANS INDUSTRIES	23.4	14.3	63.6
172	43	COLOUR CHEM	23.4	6.6	253.8
71	44	ASIAN PAINTS	22.9	23.4	(2.1)
149	45	SMITHKLINE BEECHAM PHARMA	22.8	26.7	(14.5)
96	46	GLOBAL TELESYSTEMS	22.8	29.8	(23.6)
82	47	BHARAT PETROLEUM CORP	22.7	21.4	5.7
66	48	PHILIPS	22.5	21.1	6.4
116	49	BATA	22.4	11.0	103.3
196	50	ADANI EXPORT	21.9	25.5	(13.8)

SUPER RANK 1999	RONW RANK 1999	COMPANY	RONW 1999 (%)	RONW 1998 (%)	[illegible]
123	51	ENGINEERS INDIA	21.5	15.9	35.3
164	52	ORCHID CHEMICALS & PHARMA	21.4	24.2	(11.3)
191	53	CHEMPLAST SANMAR	21.4	1.2	1683.1
213	54	KRISHNA TEXPORT INDUSTRIES	21.2	13.0	62.8
67	55	PENTAFOUR SOFTWARE	21.1	25.7	(17.7)
134	56	RALLIS	20.9	19.6	6.7
43	57	BPL	20.8	24.2	(14.0)
93	58	GLAXO	20.7	20.6	0.5
4	59	MTNL	20.6	22.2	(7.3)
225	60	BERGER PAINTS	20.5	23.0	(10.7)
17	61	BAJAJ AUTO	20.0	21.9	(8.7)
183	62	SUNDRAM FASTENERS	19.9	20.1	(1.2)
65	63	DABUR	19.7	20.2	(2.1)
201	64	GODAVARI FERTILISERS & CHEM	19.7	33.3	(40.7)
30	65	MADRAS REFINERIES	19.3	14.1	37.0
235	66	APAR INDUSTRIES	18.5	18.8	(1.6)
167	67	TORRENT PHARMACEUTICALS	18.2	21.7	(16.1)
2	68	INDIAN OIL CORP	18.1	16.1	12.2
48	69	CHAMBAL FERTILISERS & CHEM	18.0	18.6	(3.0)
6	70	HINDUSTAN PETROLEUM CORP	17.9	16.4	9.4
82	71	CUMMINS INDIA	17.9	22.8	(21.5)
237	72	ALEMBIC CHEMICAL WORKS	17.8	10.4	70.6
3	73	RELIANCE INDUSTRIES	17.7	17.9	(1.1)
210	74	IPCA LABORATORIES	17.4	15.3	14.0
12	75	HINDALCO INDUSTRIES	17.4	18.1	(3.8)
181	76	GUJARAT HEAVY CHEMICALS	17.2	21.3	(19.3)
179	77	HEG	16.9	17.2	(2.1)
101	78	EVEREADY INDUSTRIES	16.6	23.2	(27.5)
230	79	VIKRANT TYRE	16.7	16.5	1.2
216	80	BLUE STAR	16.6	14.7	13.3
86	81	MAHINDRA & MAHINDRA	16.5	19.9	(17.1)
238	82	SUPREME PETROCHEM	16.5	(2.2)	840.6
199	83	SUASHISH DIAMONDS	16.0	18.7	(14.2)
155	84	GOODLASS NEROLAC PAINTS	15.8	21.3	(25.6)
171	85	EICHER	15.8	15.1	4.3
80	86	COLGATE PALMOLIVE	15.7	28.2	(44.2)
243	87	GAMMON INDIA	15.4	17.7	(13.0)
95	88	SOUTH INDIA CORP	15.3	14.2	7.7
118	89	DR REDDYS LABORATORIES	15.2	16.2	(6.1)
139	90	HOECHST MARION ROUSSEL	15.2	24.5	(37.9)
153	91	TAMIL NADU PETROPRODUCTS	15.0	12.4	20.7
169	92	EXCEL INDUSTRIES	15.0	13.1	13.9
90	93	EXIDE INDUSTRIES	14.7	15.9	(7.4)
251	94	THE WEST COAST PAPER MILLS	14.7	9.7	51.4
131	95	NICHOLAS PIRAMAL	14.7	19.6	(25.2)
99	96	ITI	14.5	7.7	89.5
145	97	CADBURY	14.4	11.1	30.4
241	98	DCM SHRIRAM INDUSTRIES	14.4	(9.8)	246.8
46	99	NEYVELI LIGNITE CORP	14.2	7.2	97.2
254	100	ATLAS CYCLE INDUSTRIES	14.2	10.7	32.7

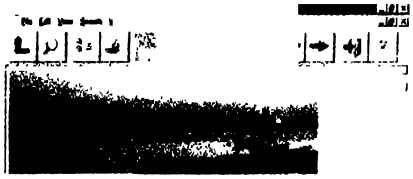
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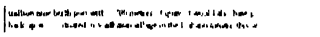


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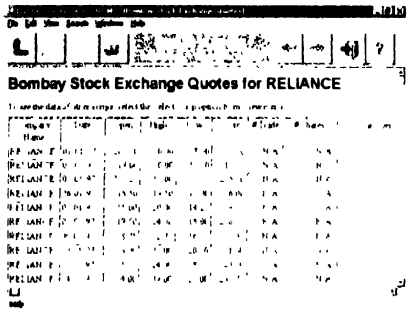
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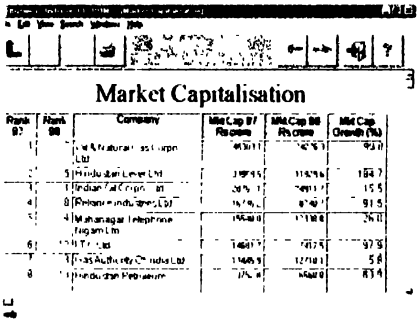


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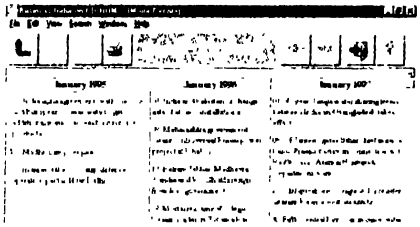
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ALPHABETICAL INDEX

	SUPER RANK 1998	COMPANY							
76	105	ADANI EXPORT	2189	28	67.3	69	36	250	1435	69
71	77	AHMEDABAD ELECTRICITY	882	97	45.1	97	742	66	378	129
227	237	ALEMBIC CHEMICAL WORKS	343	233	16.6	172	140	192	36	239
234	210	ALSTHOM	396	208	-1.8	224	83	228	235	160
60	54	ANDHRA VALLEY	762	113	102.5	51	827	63	297	143
235	232	APAR INDUSTRIES	400	207	17.4	169	82	229	86	217
70	81	APOLLO TYRES	903	91	40.0	106	358	120	639	105
95	45	ARVIND MILLS	983	82	14.5	177	2261	22	239	159
75	65	ASEA BROWN BOVERI	893	94	37.7	112	220	158	1925	53
30	67	ASHOK LEYLAND	1854	34	20.4	161	955	55	1298	71
61	72	ASIAN PAINTS	910	90	69.8	67	301	135	1601	64
62	79	ACC	2399	24	56.8	76	1895	31	3552	33
254	252	ATLAS CYCLE INDUSTRIES	330	238	6.9	203	35	252	20	249
136	192	ATUL	525	161	28.6	142	280	142	84	219
147	230	AUROBINDO PHARMA	506	169	50.1	85	91	225	611	106
38	52	BPL	1786	38	102.5	50	469	101	884	86
16	20	BSES	2349	25	270.2	17	2074	27	2272	44
17	25	BAJAJ AUTO	3342	20	540.5	13	922	58	4997	22
238	197	BAJAJ ELECTRICALS	331	237	5.9	206	60	234	2042	50
232	196	BAJAJ TEMPO	470	179	28.2	236	116	211	267	151
202	194	BALAJI INDUSTRIAL CORP	547	152	5.0	210	178	174	95	209
208	203	BALMER LAWRIE	607	139	13.5	181	179	173	30	243
114	155	BATA INDIA	712	122	38.3	110	216	159	720	101
206	189	BAYER INDIA	487	171	10.0	194	103	215	247	155
205	238	BELLARY STEELS AND ALLOYS	304	253	14.9	231	673	74	18	250
201	236	BERGER PAINTS	371	223	23.6	156	57	238	231	161
174	145	BHARAT EARTH MOVERS	1160	67	1.6	219	205	163	114	198
79	84	BHARAT ELECTRIC	1219	64	53.6	80	215	160	600	108
139	100	BHARAT FORGE	440	188	37.3	117	370	117	864	88
15	16	BHARAT HEAVY ELECTRICALS	6777	11	243.6	19	1136	50	6611	16
10	7	BPCL	21780	3	684.6	9	3789	17	4590	26
138	139	BHUSHAN STEEL	677	126	40.5	105	651	78	56	227
169	163	BIRLA CORP	772	111	-53.6	243	389	114	121	193
216	216	BLUE STAR	477	176	16.3	173	89	227	189	175
108	74	BONGAIGAON REFINERIES	861	102	35.1	123	461	105	267	152
51	98	BRITANNIA INDUSTRIES	1015	77	39.6	109	135	195	2376	43
111	118	CESC	1701	42	-128.1	252	5130	10	163	183
148	182	CADBURY INDIA	428	190	26.0	148	149	185	1917	54
222	206	CARRIER AIRCON	336	235	29.0	141	39	249	293	144
54	63	CASTROL INDIA	948	86	178.4	23	157	182	4631	24
129	140	CEAT	1010	80	17.3	170	390	113	188	176
122	181	CENTURY ENKA	606	140	31.3	133	661	76	204	170
91	80	CENTURY TEXTILES AND INDUSTRIES	1977	31	-91.3	249	1885	32	457	118
46	44	CHAMBAL FERTILISERS & CHEM	802	106	145.5	33	1981	30	579	109
191	193	CHEMPLAST SANMAR	386	213	28.4	143	239	152	118	195
70	90	CIPLA	616	138	115.0	46	145	188	7676	14
223	229	CMC	346	230	5.6	208	52	243	780	95
121	101	COATS VIYELLA INDIA	990	81	26.3	147	283	141	277	148
23	26	COCHIN REFINERIES	4267	15	338.2	16	1188	49	920	85
69	61	COLGATE PALMOLIVE INDIA	972	84	45.7	95	226	156	3182	35
211	212	COLOUR CHEM	310	250	29.4	137	99	220	297	142
51	66	CONTAINER CORP	716	121	141.1	35	431	108	2171	45
165	158	COROMANDEL FERTILISERS	485	172	48.5	89	215	161	182	178
100	83	CROMPTON GREAVES	1558	46	23.1	158	475	100	276	149
82	75	CUMMINS INDIA	662	130	74.8	62	147	186	2162	46
236	226	DCW	313	247	2.3	216	321	127	35	240
65	82	DABUR	901	92	49.7	86	239	153	2765	38
200	190	DALMIA CEMENTS BHARAT	302	255	20.1	163	268	144	214	167
104	138	DCM SHRIRAM CONSOLIDATED	589	144	21.7	160	463	104	92	212
241	241	DCM SHRIRAM INDUSTRIES	317	245	10.9	190	187	169	24	246
127	117	DEEPAK FERTILISERS	522	163	72.7	65	326	125	167	182
118	152	DR REDDYS LABORATORIES	385	214	51.8	82	180	172	3343	34
68	85	DUNCANS INDUSTRIES	1056	73	76.9	61	619	83	97	207
104	93	EID PARRY INDIA	931	88	39.9	108	480	96	193	174
171	172	EICHER	593	143	29.2	138	266	145	89	214

58	EIH	476	178	96.4	53	924	57	1048	76
186	ELECTRO STEEL CASTINGS	384	215	60.6	73	135	196	1096	75
142	ENGINEERS INDIA	447	186	117.8	45	48	246	2524	42
57	ESCORTS	1137	68	32.1	130	535	90	1152	73
115	ESSAR SHIPPING	440	189	48.0	91	2236	23	137	188
43	ESSAR STEEL	2134	29	-496.5	257	4838	12	405	126
106	EVEREADY INDUSTRIES	736	116	34.8	125	691	72	274	150
207	EXCEL INDUSTRIES	408	200	23.4	157	114	212	358	132
111	EXIDE INDUSTRIES	646	131	41.2	104	438	107	944	81
171	FINOLEX CABLES	402	204	62.0	72	95	222	835	89
159	FINOLEX INDUSTRIES	525	160	48.0	90	620	82	550	113
179	FLEX INDUSTRIES	368	224	-81.1	246	720	68	54	228
222	FORBES GOKAK	394	210	5.0	211	122	204	86	216
254	GAMMON INDIA	329	239	10.0	193	138	193	30	242
4	GAS AUTHORITY OF INDIA	6825	10	1048.3	6	5974	7	6808	15
86	GLAXO	761	114	67.1	70	92	224	4405	27
128	GLOBAL TELESYSTEMS	540	153	63.2	71	279	143	1775	57
201	GODAVARI FERTILISERS	888	96	18.5	165	59	235	45	233
153	GODFREY PHILIPS INDIA	506	168	47.3	92	52	244	646	104
255	GODREJ FOODS	456	185	3.4	226	54	241	36	237
137	GODREJ SOAPS	862	101	29.9	110	323	126	289	145
180	GOODLASS NEROLAC PAINTS	460	182	25.5	150	78	230	254	154
218	GOODYEAR INDIA	466	180	14.7	175	116	210	160	184
21	GRASIM INDUSTRIES	3867	16	163.8	28	3377	19	4173	30
38	GREAT EASTERN SHIPPING	981	83	126.4	40	1711	37	604	107
146	GREAVES	701	123	9.9	195	203	161	105	203
32	GUJARAT AMBUJA CEMENT	1089	70	150.5	32	1460	17	4212	29
148	GUJARAT HEAVY CHEMICALS	346	231	41.9	103	309	131	118	196
123	GUJARAT INDUSTRIES POWER	426	192	54.4	79	1715	36	428	122
56	GUJARAT NARMADA VALLEY	1131	69	77.7	60	776	69	345	134
28	GSFC	1977	32	138.7	36	2152	25	358	131
125	HCL INFOSYSTEMS	897	93	58.5	71	55	239	1452	68
162	HEG	416	194	36.2	120	302	143	91	213
64	HERO HONDA MOTORS	1550	47	121.3	42	309	132	4713	23
174	HFCL	408	199	37.4	115	319	128	2110	18
160	HINDUSTAN LEVER CHEMICALS	913	89	42.4	101	118	207	675	102
15	HINDALCO INDUSTRIES	1912	33	566.8	12	3577	18	6312	17
244	HINDUSTAN CONSTRUCTION	559	148	9.2	199	189	168	71	224
88	HINDUSTAN COPPER	1063	72	-105.7	251	642	80	1679	60
144	HINDUSTAN DEVELOPMENT CORP	458	184	-0.7	223	854	62	113	200
13	HINDUSTAN LEVER	9727	7	837.4	8	1054	53	51335	1
89	HINDUSTAN MOTORS	1230	61	-28.3	237	518	92	101	205
200	HINDUSTAN ORGANIC CHEMICALS	372	221	-20.0	233	481	95	125	192
6	HPCL	24190	2	901.3	7	4956	11	5955	18
51	HINDUSTAN ZINC	1173	65	79.1	58	656	77	730	100
209	HMT	825	104	-36.6	242	141	190	131	189
103	HOECHST MARION ROUSSEL	494	170	13.8	180	178	175	1637	63
92	ICI INDIA	769	112	34.9	124	286	138	820	91
221	IPCA LABORATORIES	316	246	24.7	153	118	208	300	141
208	ITC AGROTECH	866	100	-13.6	230	41	248	309	138
14	ITC	3637	18	623.4	10	1234	46	18888	7
114	ITI	1626	44	32.3	129	315	130	408	125
50	INDIAN ALUMINIUM	1034	76	78.8	59	736	67	746	97
55	INDIAN HOTELS	623	137	119.7	43	467	102	1723	58
2	INDIAN OIL CORP	64729	1	2218.2	2	15166	4	21931	5
18	IPCL	3177	21	36.2	121	6131	6	2616	40
27	INDIAN RAYON AND INDUSTRIES	1393	52	106.0	49	1069	52	486	116
41	INDO GULF CORP	1490	49	164.0	27	2013	29	1585	65
112	INDO RAMA SYNTHETICS INDIA	1166	66	-157.1	253	1623	39	173	181
143	INFOSYS TECHNOLOGIES	513	165	137.2	37	101	219	26689	3
126	INGERSOLL RAND INDIA	363	225	54.6	78	58	237	1453	67
256	IRCON INTERNATIONAL	413	195	37.6	113	44	247	N/A	N/A
62	ISPAT INDUSTRIES	1301	55	25.1	152	5283	9	347	133
250	IVP	688	125	12.8	186	23	258	72	222

ALPHABETICAL INDEX

SUPER RANK 1999	SUPER RANK 1998	COMPANY	SALES 1999 (Rs crore)	SALES RANK	PROFITS 1999 (Rs crore)	PROFITS RANK	ASSETS 1999 (Rs crore)	ASSETS RANK	MKT CAP 1999 (Rs crore)	MKT CAP RANK
176	166	JK CORP	539	154	-169.5	254	1519	40	107	202
110	97	JK INDUSTRIES	1067	71	22.1	159	716	69	156	185
195	177	JAGATJIT INDUSTRIES	378	219	17.5	168	343	121	95	210
66	113	JAIPRAKASH INDUSTRIES	937	87	32.7	128	802	64	835	90
257	257	JAYASWALS NECO	405	202	2.7	215	480	98	N/A	N/A
136	95	JINDAL IRON AND STEEL	1014	78	10.8	191	629	81	98	206
227	213	JINDAL PHOTO FILMS	320	243	29.2	139	49	245	246	157
79	60	JINDAL STRIPS	1037	75	37.4	116	909	59	198	172
126	150	JINDAL VIJAYANAGAR STEEL	538	155	29.0	138	4510	14	493	115
258	258	JK SYNTHETIC	409	197	-86.6	247	507	93	N/A	N/A
151	157	KESORAM INDUSTRIES	634	134	4.7	212	568	86	226	162
244	243	KIRLOSKAR BROTHERS	347	229	16.1	174	54	240	51	230
202	223	KODAK INDIA	478	175	5.0	209	59	236	577	110
213	234	KRISHNA TEXPORT INDUSTRIES	331	236	42.3	102	24	256	246	156
156	134	LML	671	129	26.5	146	225	157	208	169
198	133	LAKSHMI MACHINE WORKS	427	191	8.4	200	184	171	222	163
7	9	LARSEN & TOUBRO	6993	9	389.6	15	4555	13	10157	11
229	253	LIBERTY OIL MILLS	1012	79	6.0	205	28	255	14	252
182	130	LLOYDS STEEL INDUSTRIES	819	105	-197.9	255	1656	38	85	218
109	94	LUPIN LABORATORIES	671	128	25.3	151	298	137	1478	66
94	131	MADRAS CEMENTS	524	162	39.9	107	650	79	872	87
31	31	MADRAS REFINERIES	3767	17	204.9	21	1226	47	659	103
220	96	MAFATLAL INDUSTRIES	787	107	209.2	256	250	147	10	253
4	5	MTNL	5259	14	1288.3	5	5357	8	11482	10
133	108	MAHAVIR SPINNING MILLS	632	135	49.7	87	300	136	147	187
20	23	MAHINDRA & MAHINDRA	3571	19	228.6	20	1099	51	4233	28
125	129	MALVIKA STEEL	774	110	11.5	189	2153	24	116	197
245	227	MALWA COTTON SPINNING MILLS	326	241	2.9	214	141	191	46	232
83	87	MRPL	2606	22	14.1	179	4350	15	736	98
140	228	MANGALORE CHEMICALS	521	164	30.2	135	102	218	1399	70
150	147	MARICO INDUSTRIES	553	150	37.5	114	69	231	557	112
149	188	MCDOWELL	723	119	24.2	154	103	216	800	93
169	204	MIRC ELECTRONICS	642	132	27.0	145	124	203	302	139
192	215	MODERN SYNTEX	536	156	87.5	248	702	71	44	234
204	211	MODI RUBBER	675	127	-2.9	225	119	206	187	177
200	214	MODI XEROX	464	181	1.4	220	66	233	280	147
62	49	MOTOR INDUSTRIES	1225	62	52.9	81	359	119	2041	51
41	46	MRF	1786	39	102.2	52	498	94	929	83
128	151	MUKAND	624	136	-31.6	241	527	91	130	190
34	42	NAGARJUNA FERTILISERS	1241	60	143.7	34	1753	35	506	114
30	17	NATIONAL ALUMINIUM	1577	45	244.0	18	2759	21	3702	32
84	24	NATIONAL FERTILIZERS	2322	26	51.8	83	1483	41	1030	79
97	71	NATIONAL MINERAL DEV CORP	777	109	133.7	38	478	99	173	180
255	248	NATIONAL STEEL INDUSTRIES	372	222	5.7	207	128	198	17	251
73	39	NESTLE	1545	48	86.2	55	400	110	5013	28
47	19	NEYVELI LIGNITE CORP	1837	36	589.7	11	2884	20	2156	47
237	245	NICCO CORP	387	212	1.9	218	146	187	39	235
171	76	NICHOLAS PIRAMAL INDIA	401	205	45.3	96	165	179	1659	62
53	102	NIIT	459	183	108.4	47	127	199	9044	12
61	40	NIRMA	1275	57	170.9	24	975	54	2542	41
88	99	NOVARTIS INDIA	734	117	74.7	63	97	221	3785	31
235	242	NRC	275	258	-25.5	235	187	170	9	255
3	1	ONGC	15796	4	2760.8	1	25314	1	31520	2
122	167	ORCHID CHEMICALS & PHARM	327	240	35.5	122	366	118	473	117
216	205	ORIENT PAPER AND INDUSTRIES	549	151	-72.4	245	376	116	36	238
143	53	OSWAL CHEMICALS & FERTILISERS	733	118	29.1	140	2100	26	393	128
179	219	PAREKH PLATINUM	403	203	14.7	176	142	189	129	191
43	110	PENTAFOUR SOFTWARE	531	159	119.1	44	319	129	2776	37
101	70	PHILIPS INDIA	1641	43	42.7	99	192	167	435	120
93	187	PIDILITE INDUSTRIES	337	234	36.4	118	134	197	796	94
52	109	PROCTER AND GAMBLE INDIA	409	198	55.9	77	166	176	1958	52
103	69	PUNJAB TRACTORS	970	85	125.8	41	153	183	2090	49
238	239	RPG CABLES	317	244	7.2	202	126	202	114	199
208	191	RAJASTHAN SPINNING	407	201	9.8	196	332	124	53	229
167	120	RALLIS INDIA	1220	63	28.0	144	166	177	214	168

SUPER RANK 1998	SUPER RANK 1996	COMPANY	SALES 1996 (Rs crore)	SALES 1996 RANK	PROFITS 1996 (Rs crore)	PROFITS 1996 RANK	ASSETS 1996 (Rs crore)	ASSETS 1996 RANK	MKT CAP 1996 (Rs crore)	MKT CAP 1996 RANK
28	33	RANBAXY LABORATORIES	1431	50	156.0	30	614	84	11512	9
32	35	RCF	2062	30	106.3	48	866	61	1026	80
46	47	RAYMOND	1297	56	86.6	54	935	56	559	111
231	225	RAYMOND SYNTHETICS	362	226	-29.9	239	391	111	81	220
165	154	RECKITT AND COLMAN	421	193	31.5	132	95	223	1233	72
3	3	RELIANCE INDUSTRIES	13231	6	1703.6	3	15396	3	21663	6
177	173	RUCHI SOYA INDUSTRIES	1730	40	17.7	166	117	209	35	241
199	195	SKF BEARINGS	358	228	12.7	187	231	155	263	153
135	161	SRF	577	146	13.4	182	577	85	301	140
255	249	SAI SERVICE STATION	345	232	1.1	221	23	257	9	254
96	149	SATYAM COMPUTER SERVICES	378	217	72.8	64	245	149	8748	13
144	119	SHREE KRISHNA POLYESTER	536	157	70.2	66	265	146	102	204
173	185	SHREE KRISHNA PETRO YARNS	583	145	48.9	88	126	201	92	211
117	104	SIEMENS	1048	74	-22.7	234	302	134	1686	59
105	107	SMITHKLINE BEECHAM CONSUMER	574	147	80.8	57	69	232	2850	36
185	178	SMITHKLINE BEECHAM PHARMA	383	216	33.3	127	36	251	923	84
96	135	SOUTH INDIA CORP	1711	41	23.9	155	213	162	930	82
57	48	SPIC	2433	23	50.8	84	1416	43	196	173
248	233	STANDARD INDUSTRIES	360	227	2.3	217	137	194	21	248
48	12	SAIL	13809	5	-1597.0	258	20896	2	4626	25
21	30	STERLITE INDUSTRIES INDIA	1848	35	160.8	29	1791	33	1779	56
189	202	SUASHISH DIAMONDS	506	167	57.7	75	31	253	109	201
183	183	SUNDRAM FASTENERS	305	252	29.5	136	161	180	731	99
233	220	SUNFLAG IRON & STEEL	310	249	-4.3	227	337	122	88	215
169	176	SUPREME INDUSTRIES	483	173	17.5	167	243	150	280	146
218	235	SUPREME PETROCHEM	311	248	13.0	183	195	166	243	158
170	198	SURYA ROSHNI	599	142	12.9	185	332	123	154	186
47	68	TVS SUZUKI	1329	54	82.1	56	382	115	1674	61
139	164	TAMIL NADU NEWSPRINT & PAPER	476	177	14.1	178	707	70	326	136
138	132	TAMIL NADU PETROPRODUCTS	387	211	45.8	94	543	89	217	166
29	22	TATA CHEMICALS	1395	51	189.8	22	2035	28	1035	78
44	10	TELCO	5718	13	-4.9	228	4045	16	5938	19
116	78	TATA HYDRO ELECTRIC	511	166	69.6	68	560	87	176	179
161	156	TATA INFOTECH	400	206	46.1	93	52	242	1101	74
8	8	TISCO	5742	12	397.6	14	7059	5	5200	20
33	29	TATA POWER	1269	58	165.8	26	1371	45	814	92
207	199	TATA SSL	719	120	-17.5	232	196	165	71	223
66	59	TATA TEA	874	99	128.8	39	286	139	2645	39
124	91	THE BOMBAY DYEING	855	103	20.2	162	391	112	218	165
77	37	FACT	1248	59	-54.4	244	880	60	1809	55
217	224	THE SURAT ELECTRICITY	602	141	9.3	198	166	178	37	236
231	246	THE WEST COAST PAPER MILLS	303	254	10.5	192	89	226	49	231
126	124	THERMAX	479	174	38.3	111	112	213	418	124
100	100	TITAN INDUSTRIES	441	187	17.0	171	237	154	425	123
187	169	TORRENT PHARMACEUTICALS	299	256	36.4	119	157	181	1038	77
241	251	TRAFALGAR HOUSE CONSTRUCTION	396	209	7.3	201	31	254	75	221
245	247	TRANSPORT CORP	378	218	4.7	213	102	217	29	245
240	240	TRIVENI ENGINEERING	299	257	9.7	197	110	214	29	244
135	165	TUBE INVESTMENT OF INDIA	635	133	25.7	149	249	148	340	135
174	184	UNITED BREW.	324	242	12.2	188	480	97	435	121
127	121	UNITED PHOSPHORUS	532	158	33.9	126	243	151	395	127
137	122	USHA (INDIA)	1390	53	44.1	98	150	184	315	137
130	136	USHA BELTRON	781	108	42.6	100	671	75	377	130
194	116	USHA ISPAT	694	124	6.4	204	1196	48	119	194
247	217	UTTAM STEELS	374	220	1.0	222	465	103	23	247
208	177	VARDHMAN SPINNING	410	196	30.8	134	284	140	97	208
226	168	VIDEOCON APPLIANCE	555	149	32.0	131	558	88	61	226
119	36	VIDEOCON INTERNATIONAL	2284	27	150.9	31	1410	44	445	119
8	11	VSNL	7176	8	1376.1	4	1776	34	12920	8
225	231	VIKRANT TYRES	306	251	19.9	164	120	205	69	225
171	141	VOLTAS	892	95	-13.2	229	127	200	199	171
96	175	WHIRLPOOL INDIA	741	115	-93.3	250	456	106	753	96
4	34	WIPRO	1804	37	170.2	25	414	109	25785	4
164	73	ZUARI INDUSTRIES	875	98	13.0	184	681	73	219	164

NOTES

Indian companies are notorious for the time they take to finalise their annual reports If that happens in a good year imagine what would happen in a bad year Companies just clam up This year too we found difficulty in getting hold of 26 balance sheets of companies which would have otherwise made it to the preliminary rounds Some of these companies have genuinely postponed publishing their annual reports For example, India Cements and Raasi Cement annual reports were not available because of their merger Similarly, the Kirloskar Oils Shivaji Works merger prevented the two companies from preparing their balance sheets Then there are others which have extended their accounting years Some of them may have done so in order to accommodate some extraordinary corporate event such as a merger But there is a breed which adopts a similar strategy to disguise dismal performances Now that s not done

The sample size

The sample for *Business India s Super 100* is 258 companies Quite an elite club, this No chaff, thank you very much, just premium quality wheat Only those companies that are listed on a bourse and whose turnover exceeds Rs300 crore qualified for the preliminary screening Of the 258, only those companies whose annual reports are out, were considered for the Super 100 ranking The figures used while compiling the list are for the period 1998 99 All accounting periods other than 12 months are annualised So we chased all companies whose financial year ended between June 1998 and 30 July, 1999 And succeed we did – largely, that is (232 annual reports, no less) With the remaining 26 companies we had to make do with provisional figures

All of us know that provisional figures reveal little, especially about net assets and equity capital So the 26 companies have been ranked on sales, net profits, and market capitalisation, but have not been considered for overall ranking

Methodology

Only 228 companies whose annual reports were available have been considered for the Super 100 ranking Companies were first ranked on each of these four parameters sales, profits, assets, and market capitalisation Then the rankings that each company got on these four parameters were added to arrive at the final score Thereafter, the final scores were sorted in ascending order The company with the lowest final score ends up on the top of the Super 100, followed by the company with the next higher score, and so on

Definitions

- **Sales** is turnover net of excise It includes other income Also, extraordinary items have been excluded
- **Profit** is profit after tax excluding extraordinary and prior period adjustments Dividend tax payable has been deducted
- **Assets** refers to fixed assets This is the sum of net fixed assets (i e gross fixed assets minus depreciation), capital work in progress, and advances against capital expenditure Revaluation reserves have been deducted wherever present
- **Market capitalisation** is number of shares multiplied by stock price Stock price for the current year was taken as on 12 November, 1999, and for the last year as on 12 November, 1998
- **PBIT** is profit before interest and taxes
- **PBDIT** is profit before depreciation, interest, and taxes
- **Net worth** is the sum of equity capital and reserves Revaluation reserves and miscellaneous expenditure to the extent not written off have been deducted
- **Average net worth** is the average of the opening and closing net worth of a financial year
- **Total debt** includes secured and unsecured loans, deferred payment liabilities, and preference shares
- **Capital employed** is the sum of net worth, preference capital, and total debt
- **Average capital employed** is the average of the opening and closing capital employed in a particular financial year
- **Adjusted share price** is share price adjusted for corporate actions such as rights and bonus issues Any change in the face value is also adjusted for
- **CAGR** is compounded annual growth rate
- **RONW** is net profit as a percentage of average net worth
- **One-year share price return** is the point-to-point return of adjusted share price over one year — 12 November, 1998–12 Novermber, 1999
- **Five-year share price return** is the point-to-point return of adjusted price over five years — 12 November, 1994–12 November, 1999
- **ROCE:** PBIT as a percentage of average capital employed
- **Interest coverage ratio** is PBIT to interest. Here, interest is actual interest paid.
- **OPM:** PBDIT as a percentage of sales.

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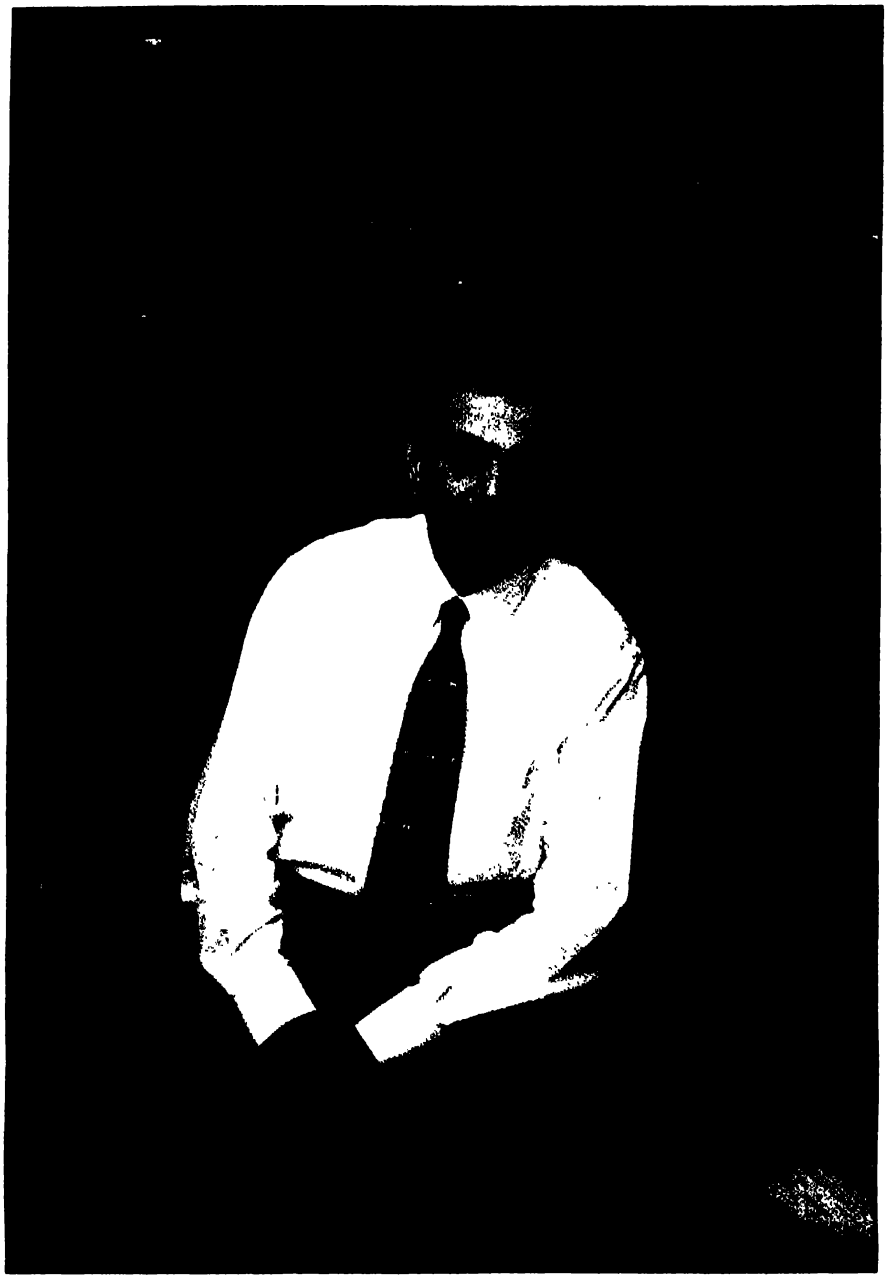
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Dutch on the double

ABN AMRO is one foreign bank whose appetite for growth is insatiable



UMESH GOSWAMI

ABN AMRO is looking at a compounded annual growth of 40 per cent, says Sobti

At a time when most foreign banks are downsizing their scale of operations in India, ABN AMRO is moving in the opposite direction – expanding its business and also hiring. In fact, in the last fiscal, ABN AMRO was the only foreign bank in India to report an increase in net profits; they grew by over 30 per cent from Rs65 crore in 1997-98 to Rs87.5 crore in 1998-99. All other foreign banks in India have reported either a dip in profits or posted a loss during the same period.

ABN AMRO's expansionist fervour is reflected amply in its balance sheet. Assets have grown from a hundred-odd crore in 1991 to over Rs3,900 crore by March 1999 – a compounded growth rate of around 30-40 per cent. "ABN AMRO Bank has kept a low profile in India but it has always been on its toes. That's one of the reasons its NPAs are a mere half per cent despite the steady growth in its assets," says an American bank executive.

Another proof of its aggressiveness; it pipped half a dozen competing banks to the post in May when it acquired Bank of America's retail consumer banking operations in Singapore, Taiwan and India, for less than $200 million. In the process, it bagged one lakh accounts worth Rs800 crore. What's even more surprising is that ABN AMRO's bid was certainly not the highest. So, what swung the deal in the Dutch bank's favour?

"More than the valuation it was the structuring of the bid that swayed the deal in ABN's favour. Besides, both ABN AMRO and Bank of America have similar systems, so the transition of business was to be a smooth affair. Secondly, Bank of America didn't want to retrench its employees and we gave a commitment to absorb them as it suited our retail business expansion plans," explains Romesh Sobti, chief executive-India, ABN AMRO Bank NV.

The turn of the millennium is an era of mergers and acquisitions in banking history. Banking indeed has become very fluid where one player is keen to move out of a particular business even as another spots a business opportunity in it. But what sets the 175-year-old ABN AMRO Bank NV apart from the others is that it is constantly on the prowl for acquisitions, earning it a reputation of a predator. This is not motivated by any fear of being gobbled by others. For, in the international banking arena, the Dutch bank is the sixth largest in terms of assets (over $504 billion as on December 1998).

In May 1998, it made a hostile bid for Belgium's Generale Bank and in the same year it also attempted to take over Credit Mutuel in France. But it had to retreat because of government intervention in both the countries. In the 1990s, ABN AMRO acquired SecPac

(Security Pacific Bank, a subsidiary of Bank of America) in Thailand. In 1995, the bank bid for the derivatives operations of the Barings Bank (remember rogue trader Nick Leeson brought down the 200-year-old English bank). Despite ING Bank acquiring the entire operations of the collapsed English bank, ABN AMRO got what it wanted. It acquired 40 employees of Barings Bank from the derivatives segment.

Consider the more recent acquisitions. At the height of the Asian crisis in late 1997, it acquired a 75 per cent stake in Thailand's Bank of Asia for 7.5 billion baht ($190 million). This acquisition turned out to be a jackpot as it's worth over $1 billion today. In 1998, ABN AMRO acquired a controlling interest in Banco Real – the fourth largest privately held bank – for $2.1 billion. Also in the same year it acquired the investment banking operation of BZW in Australia. Last March, it acquired an 8.76 per cent stake in Italy's Banca di Roma.

Selective acquisitions

"ABN AMRO has a mergers and acquisitions cell in Netherland which tracks opportunities across the globe. But what distinguishes ABN AMRO from others is it acquires only that bit of operation with which it would be able to synergise, and deems profitable. It is not guided by compulsive wholesale acquisition just for the heck of it," explains Subir Biswas, country treasurer with the India operations.

The answer to the bank's acquisition spree that spans the last decade lies in the very creation of the Dutch bank. Established in 1824 as Netherlandsche Handel-Maatschappij it acquired its current name ABN AMRO Bank NV in 1991 with the merger of Algemene Bank Nederland (ABN Bank) and Amsterdam-Rotterdam Bank (AMRO Bank). A report of the managing board for 1998 of the bank affirms the bank's acquisition strategy: "...we will remain alert to acquisition opportunities in commercial banking, especially in Europe and the United States, which meet our stringent profitability criteria...."

Where does the India operations fit into the bank's global expansion strategy? It is ironic that this banking behemoth should have a low-key presence in India. The bank is in India since 1920 (a good 79 years); however, its assets from Indian banking operations are a mere Rs3,977 crore as on March 1999 – less than $1 billion. Compare this with its international asset base of over $504 billion as on December 1998.

"Internationally, the bank has grown through acquisition and it's not that the Indian operations have not grown. The growth here has been an organic one as foreign banks are not permitted to acquire local banks in India," says Sobti. "Yes, the bank had an unfocused business approach till 1990 with just two branches and a balance sheet size of a hundred-odd crore. But in 1991, after the merger of ABN with AMRO, the bank identified India as an opportunity and for the first time brought in Indian management and that's when the growth commenced," he adds. Sobti, who joined the bank in 1990 in New Delhi, took charge only in 1996.

Between 1991-1995, the bank repositioned its business from trade financing to a wholesale bank catering to large corporates. "In 1996, the bank went into a major product expansion spree and repositioned itself as a universal bank. Besides commercial banking products, the bank moved into custodial services and capital market products," informs Vishnu Deuskar, managing director, ABN AMRO securities (India).

Explaining ABN AMRO's universal banking approach (*see chart*), Sanjiv Vohra, corporate bank group head (India), says, "Our strategy is to select the right customer and be a universal bank and provide everything that he needs. Today, no foreign bank has the breadth of the products that we can offer. With the acquisition of Bank of America's retail operations we can now cross-sell all our products across the range of customers. We intend to sell retail banking products to the wholesale corporate customer. Similarly, sell wholesale banking products to the retail market. In short, we plan to cater to all those segments of the market which we view as profitable."

ABN AMRO was amongst the first foreign banks to identify infrastructure financing as a thrust area. Says Ravi Suri, head structure finance (India): "Globally, we are strong in infrastructure financing, which has given us a strong foothold even in India. Currently, we have underwritten loans worth over $1 billion and have rupee funding of around Rs500 crore and dollar exposure of around $150 million."

With the acquisition of BankAm's India operations, the number of branches increased from 6 to 8, and off-site ATMs from 7 to 17. Similarly, the number of employees increased from 500 to 800. The bank plans to swell its balance sheet to Rs7,500 crore by March 2000. To shore up its CAR, it brought in $35.5 million as Tier-I capital and raised another Rs100 crore subordinated debt as Tier-II capital which would maintain the CAR at over 10 per cent on the enhanced asset base as on March 2000.

"ABN AMRO is now looking at a compounded annual growth of 40 per cent," says Sobti. As a bank that has gone about its business quietly and consistently, in typical Dutch style, it looks set to achieve this target too.



Branching out

H.S. Narula is not only growing his Ebony stores but also giving them a new sheen

When London-based non-resident Indian H.S. Narula decided to convert his property in the heart of Delhi's South Extension into the four-storied Ebony departmental store in 1994 there were many who wondered about the viability of such a move. For starters, not many people were familiar with the concept of shopping in a department store and others believed that the prices in the plush store would be a lot higher. Moreover, there was also the problem of finding professionals who knew how to run the business.

But five years after the initial hiccups, Narula's $300 million DS Group (which is in the construction business in London, Libya and North America) is set to expand in the west and the east and also consolidate its position in the north where it has Ebony stores in Delhi, Noida and Chandigarh. "We took a conscious decision to move to smaller towns because people in these towns have a high buying potential and also because the returns on investments are a lot higher," says Lalit Kumar, group vice-president, DS Group.



Smaller towns are more lucrative, says Kumar

With a combined area of 80,000 sq ft in the three departmental stores, Ebony has 60 categories of products ranging from menswear and household appliances to toys and books (the Mumbai-based bookstore Crossword has an outlet in the South Extension store). Sixty per cent of the products sold at Ebony are branded, with the menswear section selling only branded products (like Van Heusen, Ruggers, Nike and Adidas). The cosmetics and children's wear sections too have a fair share of international brands. "The north Indian buyer is still very brand conscious. We need all the known brands to attract him," says Sugato Bose, general manager, merchandising.

Presently, 50 per cent of Ebony's sales are of branded products. Though Ebony follows a centralised system for obtaining stocks for the three outlets, local demands too are kept in mind. According to a survey Ebony conducted in Noida, for instance, it was found out that individual branded stores for men's and women's wear were not doing well, so it was decided to provide customers a greater variety.

Care has also been taken to ensure a range in terms of prices. So if the Ebony stores have Van Heusen shirts they also have the lower priced Newport range. "We cannot do anything about the prices of the branded products but when it comes to unbranded products we work backwards. We first figure out how much we can sell an item at and then move on to suppliers from whom we can get the items at a viable price," says Kumar.

Ebony sources unbranded items from various suppliers – furniture comes from Punjab and woollens from Ludhiana. "We follow very rigid rules in the selection of our suppliers. Besides quality we also check the other places they supply to. We don't pick up those people who are supplying their goods everywhere because we want to maintain a certain exclusivity," says Bose. This situation, however, will change next year as the company is planning to get into manufacturing, primarily of garments. "That is when the real money will start coming in. Moreover, any big departmental store has to have its own brands," says Kumar.

But for now, Kumar is pleased with the progress. The South Extension outlet, which still attracts over 2,000 people everyday (the figure doubles over the weekends) started making cash profits six months after it opened and the one in Noida is going to break even by next month – four months after it opened. "We have a team of professionals. We will now progress faster," says Kumar.

Ebony is focusing on aggressive marketing to attract more customers through a range of cross-promotions and other schemes. For purchases worth Rs1,000 a customer gets a coupon and the winner of the lucky dip will win one kg of gold. An Ebony Elite Club too has been started members of which will be informed about new products and promotional schemes at the outlets. And then there are also promotions aimed at generating excitement in the store like all women wearing green bangles in the store getting a surprise gift.

The steps that the group is undertaking to promote its outlet in Chandigarh are more innovative: sponsoring kitty parties and tambola games in various clubs in the city. "Earlier we thought that we would get buyers only from Chandigarh and the adjoining towns of Panchkula and Mohali. Our feedback now shows that even people from other parts of Punjab and Himachal Pradesh are coming to our store to shop," says Bose. Just as the store in Noida is attracting buyers not only from the town (and Delhi) but also from Meerut and Hapur. All this makes the last five years well worth the effort that the group has put in.

◆ PUNAM THAKUR

A congress of concord

The recently concluded Ad Asia conference in Thailand proved to be insightful



A much awaited event in the ad fraternity's calendar is AdAsia, a regional congress held every two years since 1958. The 21st congress of AdAsia this year, which attracted 900 delegates (99 from India), was hosted last fortnight by Thailand. The theme of the congress, innovative Asia or InnovAsia, was chosen to represent the fresh ideas and opportunities that are built from creativity and hard work. These are skills that Asians bring to the world and will continue to do so, said Pornsiri Rojmeta, chairman of AdAsia '99.

The congress was inaugurated at the brand new Pattaya Exhibition and Convention Hall in Thailand, by the deputy prime minister and minister of public health and tourism, Korn Dabbaransi. Said the minister in his inaugural speech. "As a region, Asia should pull together and build its own resources and knowledge base to go forward into the next century."

The keynote speech was delivered brilliantly by Proche Mukherji on behalf of the keynote speaker Anand Mahindra who dropped out at the last moment. She spoke about the Asians' audacity to dream big and achieve even in a not so good economic period. Driving this spirit are three fundamental forces. One is the youthful mindset of Asia's population. This population will soon be the epicentre of consumerism and therefore vital for marketers. Secondly, this is a population which accepts, absorbs and uses technology effortlessly. Combine this with the third element – Asia's multiculturalism – and you have a portrait of the consumer of the future and a new marketing paradigm.

On the first day, a vibrant session on the impact of interactive media on traditional media was chaired by Pradeep Guha, trustee of the Standing Committee on Advertising for India and executive director of the Times of India group. The panel of speakers included top notch professionals like Sunchai Anumanradhon of AC Nielsen Thailand and Sheng Yuan Chou, publisher of *Commercial Times Taiwan*.

The second day's proceedings got underway by addressing the heart of all successful advertising campaigns: 'Creative Direction of the Future' chaired by Hideo Ishikawa, senior advisor for Hakuhodo Inc. Keynote speaker Dan Wieden, partner and president from Wieden & Kennedy, the agency that encouraged every sports mad teenager to 'Just Do It' urged advertising practitioners in Asia not to just duplicate Western advertising but to be provocative in their own environments.

Jim Ferguson, president and chief creative officer of Young and Rubicam New York, gave an illuminating illustration of how simple strategic ideas can be turned into award winning advertising campaigns.

Amongst the ruminations of the second day was a topic that is close to the heart of every agency head in Asia and the world: 'Agency Structure of the Future', a session chaired by Raymond So, chairman and CEO of J Walter Thompson North Asia. Nobuo Momose of Dentsu Inc, who discussed the future of agencies in the new millennium, concluded that it was the ability to form fulfilling and mutually beneficial global relationships that will ultimately determine their success. Tony Geary, managing director of APRAIS worldwide, reviewed the critical issues that are affecting the way that agencies work namely the development of specialised services, the emergence of media buying agencies and the demise of the traditional commission system, which is fast making way for fee-based remuneration. Andy Law, chairman of St Luke's Communications in the UK, presented a whole new way of looking at the structure of an agency, as a co-owned venture committed to equal employee ownership and the pursuit of personal values.

On the final day of AdAsia's three-day congress, the concluding session addressed the subject of 'Globalisation' and how it relates to the Asian advertising community. The forum was chaired by Riz Khan, who anchors world news and Q&A on CNN International. Apirak Kosayodhin, managing director of Frito-Lay Thailand, presented the success story of how the company had blended its global expertise in the snack market to fit local consumer needs. Seok Kyu Hong, founder of Phoenix Communications, emphasised the importance of utilising local thinking and culture when advertising a brand globally, a much debated topic of the congress this year.

The congress culminated with a proposal by India to host AdAsia 2003. The Indian team headed by Arun Nanda (chairman of Rediffusion Y&R), Guha and Gautham Rakshit of Avenues Advertising, put up an excellent show. On now to Taipei 2001!

• K RAVI

The author is an integrated communications specialist and the managing director of Pinnacle Advertising

Fragrance fever

With a host of international perfume brands poised for their official Indian debut, domestic customers have much to pamper their olfactory senses with



PALASHRANJAN BHAUMICK

HLL's Chopra and Valerie Boushell of Calvin Klein Cosmetics Co say cK is here to stay

This winter, along with that charming nip in the air, you'll get a whiff of a familiar fragrance — the clean, alluring notes of the Calvin Klein perfume. And if you don't smell it in the air, you'll definitely see it as you whiz past that hoarding round your street corner. "Calvin Klein is here, and you can't miss it," says Anil Chopra, head of specialty business at Hindustan Lever Ltd (HLL).

Last fortnight, HLL marked its debut into the prestige products category by launching the entire range of Calvin Klein fragrances in the country — the classic Obsession, Eternity, Escape, Contradiction and the shared or unisex cK one and cK be. "It marks our foray into the prestige products market in India," says Chopra, adding that HLL plans an aggressive promotion campaign across all media, including outdoor sites. "It's the first time that a prestige product will be promoted so aggressively," says Chopra.

The cK perfumes are being launched in phases — the first phase, in the first week of December, will see five of the six fragrances being made available in Mumbai and Delhi through retail outlets selected with the profile and tastes of the cK user in mind. (Contradiction will be made available through HLL's direct marketing subsidiary, Aviance Beauty Solutions.) In Mumbai, the fragrances will be available at major retail stores such as Shoppers' Stop, Crossroads, Akbarallys', Westside and music store Planet M, among others. The other metros will have to wait till end-December before they get a whiff of the cK fragrances, while the mini metros have a slightly longer wait ahead.

Having had to pick up their favourite cK perfumes from the local grey market or the duty-free shops on their jaunts abroad, Indian perfume freaks will finally be able to get these at what HLL calls "globally competitive prices" and without the fear of being palmed off with what might not always be the original (a danger in the grey market). While the shared fragrances have been priced at Rs1,620, women can have 50 ml of Obsession, Escape or Contradiction for Rs1,755. Male cK fans will have to put their hands a little deeper into their pockets; their brands are priced over Rs2,000.

About the timing of the launch, Chopra says, "In the recent years, there has been a shift in the lifestyle and aspirations of the Indian consumer, who is now asking for global prestige products." "There is a great potential for us in this growing market," adds Valerie Boushell, marketing services manager, international export division at Calvin Klein Cosmetics Company, based in New York. And there seems to be room for more fragrances in the estimated Rs150-crore Indian market for perfumes, which includes both the organised and the grey market. (Interestingly, the grey market makes up for almost 80 per cent of the market.) In the last three years, the market has registered an annual growth rate of 10 per cent.

With a host of new players causing a flurry of activity in the market and strengthening the retail scene, Varsha Dalal, executive director of the House of Baccarose (it was among the earliest to enter the Indian luxury perfumes market), sees the Indian perfume market getting segmented into two categories in the near future — the prestige/fine fragrances and the mid-priced fragrances. Baccarose itself has launched the famous Nina Ricci range of perfumes, in addition to Escada Beaute, Escada Sport, Jacques Bogart, Fendi and Burberry of London.

And there's more fragrance in the air. Next month, another item will be vying for space with apparel, leather items and sports goods at the 32 exclusive Lacoste boutiques across the country. Yes, you guessed it: perfumes! Being introduced in a phased manner, the company has decided to bring in three fragrances to begin with: Pour Homme, the most successful brand from its stable, its unisex fragrance Booste (introduced in the international market four years ago) and Junior, which is targeted at teenagers. Next in line are the unisex perfumes Lacoste 2000 and Lacoste for women which will be available in India in the next six months. With Lacoste for women, Lacoste boutiques will have the company's entire range of perfumes available in India as well.

"Perfumes are never going to be the reason for a customer walking into a

Lacoste store. Just as nobody will walk into our boutique only to buy a pair of sunglasses. These items can't compete with our apparel, but we are bringing them to India to bring our portfolio on par with the international one," says Jayant Kochar, managing director, Sports and Leisure Apparel Ltd, a company formed in 1992 as a part of the Rs400-crore Turner Morrison Group to handle the Lacoste licence in India.

In keeping with this belief, Kochar, unlike Lever's Chopra, is not planning any large-scale advertising. Direct mailers are the only medium that the company is planning to use to inform regular buyers about the perfume range. "We have very high repeat customers, so we have a large data bank which we are going to tap now to inform our regular clientele about the perfumes," says Kochar. He is, however, tightlipped about the size of the database as well as about the kind of business that he expects from the perfumes. All that he is willing to let on is that there is "enough demand" for Lacoste to get the perfumes to India.

According to Kochar, they found out about the demand for Lacoste perfumes when an authorised distributor started importing them a year-and-a-half ago. "At that time, Lacoste perfumes were the quickest selling of all the brands that he stocked," says Kochar. This arrangement, however, came to an end a year ago when the "agreement with the distributor failed to work out" and also because the company realised that there was enough potential for it to import the perfumes directly. "Since we will be selling the perfumes at our own outlets, there are going to be no distributor costs and margins to contend with," adds Kochar. Lacoste perfumes are being imported by Sports and Leisure Apparel Ltd directly from Lacoste, France.

Pricing, say the new entrants, is going to be the key to the success of marketing perfumes. "Our pricing is not only competitive but it is also less than the pricing of other perfumes at the duty-free shops," says Kochar. A 100 ml bottle of Pour Homme (the only size being imported), for instance, is priced at Rs2,075, while a 125 ml and 75 ml bottle of Booster will come at Rs2,075 and Rs1,475, respectively. Lever's Chopra says that their pricing strategy, despite the high duties of up to 110 per cent, was to match the high-street prices of any international city, say London, Paris or Singapore.

Others in the industry, however, feel that pricing is no longer an advantage because the market has a large number of international perfume brands available at competitive prices. Says Anthony Rodrigues, commercial manager (India and Middle East) at Euro Traditions, the only authorised distributor in India for brands like Dolce and Gabbana, Moschino, Gian Franco Ferre and Lalique, "Pricing is not the key. Perfumes are sold by brand-names internationally and that is what is going to happen in India as well." Even when it comes to pricing, Dolce and Gabbana perfume for men, for instance, is available for Rs2,800 (125 ml), while the Dolce and Gabbana perfume for women is priced at Rs2,250 for a 50 ml bottle.

The closest competition that Lacoste, however, is going to face is from Benetton, which plans to hit the market with its Sport, Hot and Cold, Colours and Funtastic range (for kids) of perfumes by mid-December. These perfumes will be sold at 21 exclusive Benetton outlets (selected by its official distributor Euro Traditions from the 53 Benetton outlets in the country) and also at the distributor's own outlets in showrooms like Ebony and will be priced between Rs440 (Hot body spray) and Rs1,780 (for a 100 ml bottle of Sport). "The outlets and the way in which the perfumes are sold are equally critical for their success. You need proper counters and a trained and educated staff to guide the customers," says Rodrigues.

Indeed, Chopra agrees, that when it comes to selling perfumes, the retail ambience is crucial. The recent emergence of upmarket speciality stores like Shoppers' Stop and KBN in suburban Mumbai was one reason that prompted Lever to go ahead with the Calvin Klein launch. On the anvil, say market sources, are more launches from Lever. The next is likely to be the Elizabeth Arden range, which is less pricier than cK.

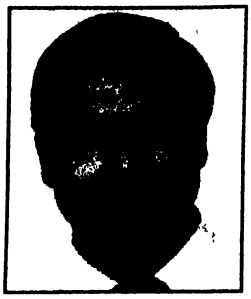


RAMESH PATHANIA

Kochar doesn't plan an aggressive promotion for the Lacoste range of perfumes

Clearly, the small-sized fragrance market is reaching a fever pitch. Says Dalal of Baccarose, "In 1999, many new foreign brands have entered the market — Claude Montana, Fendi, Krizia, Loris Azzaro, Carolina Herera. It is only when the big brands come in that the market can evolve from its current nascent stage. Baccarose is involved in evolving the consumers and the retail environment, which can happen only when major perfume brands come in." Surely a case of more the merrier, or shall we say, headier?

• PUNAM THAKUR and SANGEETA MENON



CHETAN DALAL

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The power of neural networks

Artificial intelligence systems which emulate human performance are effective in fraud control

The next millennium will probably see the world rapidly moving towards a paper less environment. Just as more and more advanced, faster, efficient and multi featured computers have been developed over the last few decades, so also software has been improvised constantly. However, there has always been something that humans possess which have maintained their superiority.

To overcome the difference between humans and computers, the concept of 'artificial intelligence' has been gaining strength. Artificial intelligence is software designed to perceive and reason and to closely emulate human behaviour. It is also dynamic in that, it is self learning from experience, within a certain framework of rules. Thus, it would react differently to the same situation at different times on the basis of knowledge updates from previous experiences. Neural network systems are a form of artificial intelligence which are used in certain applications and fraud detection is one of them.

Imagine a credit card company which has issued a million cards to various account holders where such cardholders have access to shopping outlets across the globe, across various time barriers, currencies and product types. Fraudulent use, somewhere or the other, is inevitable. While it would be impossible to prevent fraud, it may be possible to control and bring it to a tolerable level and minimise damage by early detection of misuse of such credit cards.

This can be made possible by such neural network systems. Neural network systems are machine intelligence technologies of tremendous capabilities. With reference to the credit card application, neural networks can receive and store transaction data from cardholders using their cards at any shopping place. All such places are connected to regional central computers through satellites or other media. Such data is processed and updated in the data banks and based on the processing done, immediate reports are generated. Neural networks are so quick learning, that trends and patterns are examined online and abnormal purchases or anomalous trends are reported swiftly.

In fact, there was an instance where a neural network identified a suspicious spending pattern of a credit card used by a thief even before the actual card holder had realised that the card was lost! The thief had purchased materials worth Rs28,756 in a matter of eight hours from five different shops. The neural network took the following into consideration before deducing that the card was being misused:

- The previous spending pattern of the cardholder showed that he always used his silver and gold card alternatively to accumulate redemption points on both cards. These dubious purchases had all been made on the silver card.
- The cardholder spent, on an average Rs4,890 per month from the last five years' records; therefore this was a very abnormal purchasing spree. His maximum purchase in any one day was Rs7,432 in his entire previous record. The credit card holder's credit appraisal data, updated two months ago, showed no meteoric increase in his income in the current period to justify this increase.
- The questionable purchases had been made from vendors never visited by the cardholder before.
- From the questionable total of Rs28,756, barring the first transaction of an amount Rs923, the balance was spent in a different city. In fact that was the city in which the cardholder did not reside.

The neural network deduced that the last genuine purchase made by the cardholder was that relating to purchase worth Rs923, after which he must have lost the card. All the above symptoms collectively indicated that the credit card was then used by a holder with a different behaviour pattern and needed to be investigated. Sure enough, when the credit card company telephoned the holder, the holder denied making those purchases and it was only then that he checked his wallet to find that it had been stolen!

Is it possible to imagine that in a world where volumes of such transactions are unimaginably high and complex, and effected anywhere, at any place, crimes committed by devious criminals with intelligent minds will be possible to control with traditional methods and tools? Corporate management will have to keep pace with all technological developments and modern methods to control fraud. •

Almost there

Hero Honda Motors is being rated as the best Honda plant outside Japan. The Indian plant is now accelerating to meet Honda's Japan standards

Modern motorcycles came to India in the mid-1980s in the form of hyphenated brands: Hero-Honda, Ind-Suzuki, Kawasaki-Bajaj and so on, replacing the old gas guzzling *phat phati*. The industry, however, was perceived to be a seven-day wonder as the entire business was based on assembling imported kits.

This perception is fast changing. In 1988, total motorcycles sold in India were about 3 lakh while ten years later they are about 1.5 million. On the other hand, while more than 6 lakh scooters were sold in 1988, the market has relatively stagnated to about 1.2 million. The phenomenal growth in the motorcycle market raises the question: can we be world-class manufacturers of motorcycles?

"It is very difficult to answer the question," says Pawan Kant Munjal, chief executive officer, Hero Honda Motors. The reason is the problem of benchmarking. Data is hard to come by and competitors do not show you their factories. After all, innovations in plant layout, material management, etc, can be easily picked up by a trained observer. "There are 45 Honda factories worldwide outside Japan manufacturing two wheelers and we have been told by many observers including senior Honda personnel that our plant is the best Honda plant outside Japan," says Shyam Gupta, general manager, in charge of the Gurgaon and Dharuhera factories.

The plant at Gurgaon is truly impressive. Housekeeping is excellent and the entire factory chants the *mantra* of meeting targets. The perception that work culture is poor in north India becomes a mere cliche after witnessing how this factory operates. "Once the systems are set and workers are involved in the process there is no problem. We have developed an excellent work culture," says Gupta. Already a thousand motorcycles are being produced a day here, that is, two motorcycles every three minutes. One sees cold rolled steel sheets being cut in heavy presses and moulded into petrol tanks and the frame within seconds. They are then welded by robots and coated with paint in the paint shop and then put onto the conveyor for assembly.

In another corner, the parts for engine and gear box supplied by vendors are given superior finishing with computer controlled machine tools and sent to the engine assembly shop. The engine assembly shop is the pride of Hero Honda. It is a fully air-conditioned plant with positive pressure maintained to prevent dust from outside entering the premises. The engine takes shape within minutes right before your eyes; each engine is tested for performance. "We have a straight pass figure of about 98 per cent," says Gupta proudly. 'Straight



Seamless production on the shopfloor

"Because banks are all about safety,
we made sure even
the Y2K Bug couldn't get in."

– Dr. Bimal Jalan, *Governor, Reserve Bank of India*

"India's banks have taken comprehensive measures to ensure that they are completely Y2K OK. All critical systems have been tested to take care of any unexpected contingencies. As a result, they will function normally on 1st January 2000.

What you can do to help in the New Year is to go ahead and do your banking business absolutely normally. Rest assured that your money is safe and growing. India's banks are making sure the next millennium will be business as usual"

G
2000

LET'S MAKE INDIA Y2K OK.

Y2K AT A GLANCE

• The Y2K bug can cause serious business disruptions • Even if you don't use computers or microchip based systems, Y2K problems in your suppliers or utilities can affect you • The bug isn't hard to fix – all it takes is time and senior management attention • The issue is not loss of data, cash-flow problems, loss of investor confidence and legal action • The term Y2K refers to all levels of date dependent computer and microchip based operations • Implementation of Y2K Project Management Plan and a Contingency Plan • You can use Y2K to revamp your business & build new [illegible] • [illegible]

Visit us at www.y2k.gov.in, or e-mail at helpline@y2k.gov.in or call [illegible]



pass' is a production engineer's jargon for products which go through quality checks with no defects. Not even minor resetting.

The engine frame, wheels, etc, all come to the assembly line and become a motorcycle which is then driven off for test driving. At present, Hero Honda produces 2,650 motorcycles a day in its Gurgaon and Dharuhera plants in Haryana. Since production has picked up only recently due to demand growth it might end the year with 8 lakh and plan to reach a million in 2002. "There are five parameters to judge a plant," says Gupta: quality, cost, delivery, margin and safety. In terms of delivery, that is quantity of production, Hero Honda plants are already the largest outside Japan. Quality-wise, they have achieved 91-93 per cent for the entire motorcycle. Comparatively, Honda in Japan has achieved 95-97 per cent in the whole bike assembly.



Munjal plans to steer the company to greater success

Success story

Currently, there is a major initiative on at Hero Honda to achieve straight pass figures similar to Honda. Of course, it is very difficult to compare the plants in Japan and in India completely as they produce different models. The cost of production in India is way below that of Japan and the attention paid to indigenisation has been extremely important in this regard. It is clear that if export restrictions were to be removed, Hero Honda could become a major exporter. Exports are presently limited to Bangladesh, Sri Lanka, Nepal, Peru, Argentina. Leaving the juicy markets of North America and Europe to Honda.

The problem areas can be very mundane and mostly to do with vendors. For example, bulbs. They are supposed to have been checked by the suppliers but one finds 2-5 of them failing after assembly. Since bulbs are made by the small scale industry, a lot of attention has to be paid to improvement in their processes so as to ensure quality. Hero Honda, however, does not check every part supplied as this is an expensive and time-consuming process. Gupta says that vendors will take it easy if they know that the user is going to check the product.

Among different departments, the data concerning failure to achieve through pass, is analysed and discussed the very next day. Every day, 10 minutes are spent at the beginning of the shift on the mistakes committed the previous day. The defects found are announced on the floor by the supervisor and they are publicly admitted by the person concerned. At times, as many as 100 people participate in each meeting.

Each department enjoys a customer-supplier relationship with other departments. A customer satisfaction index is used, based on the number of problems originating from a department and the time taken by the "supplier" to react to the problems. A performance-based reward system has also been put into place. Suggestions are sought and awards given every month to the best suggestion. There are 60-90 suggestions per month and about 25-30 per cent of them are implemented. Depending on the value of the suggestions workers are rewarded anywhere between Rs100 and Rs6,500. These suggestions cover cost-cutting, productivity improvement, quality and safety.

Today, there also exist cross-functional teams to look after sports, canteen, internal communication (a quarterly house magazine), cultural committee and work culture building (to look at punctuality, uniforms, housekeeping and courteousness). All these contribute to quality, according to Gupta. "More than a hardware issue, quality is a software issue based on how motivated your work force is," says Gupta.

From screwdriver technology to world-class manufacture of motorcycles, has been a long journey. It has been proven that where mechanical engineering is involved in the country, as in the automotive industry, world-class manufacturing processes can be set up if progressive leadership exists. Hopefully, this manufacturing success will also lead to independent design and marketing by Indian companies.

• SHIVANAND KANAVI



SANJAY VERMA

The author is head of asset services at Cushman & Wakefield India

A real asset, indeed

Asset services can change the way corporates handle their real estate business

Once considered a passive asset, real estate is now being recognised as a dynamic medium. In order to maximise utility and economic returns, major corporates are increasingly demanding specialised skills for managing their real estate portfolios and establishing new facilities. Interestingly, the economic returns and utilities from real estate are no longer governed by just market factors. In India, there is increasing emphasis on the quality of properties and the "intrinsic value" of the facilities.

Though factors such as demand, supply and location are still crucial in deciding the value of a property, facility-related issues such as space planning, architectural treatment, technical services, maintenance, etc. now play a big role in the real estate decisions of a number of companies in the country.

These changes in the real estate scene call for unique service products specifically catering to facility development. Broadly, these services are termed as asset services and include development consulting, construction feasibility, project management, space planning, life cycle studies, property management, etc. These services have always existed in one form or the other, offered by various organisations as generic products and not specifically for the changing real estate needs of the corporates. Asset services offered by real estate consulting firms are designed to add value by optimising time and budget parameters. This ensures maximisation of returns and efficient utilisation of the asset.

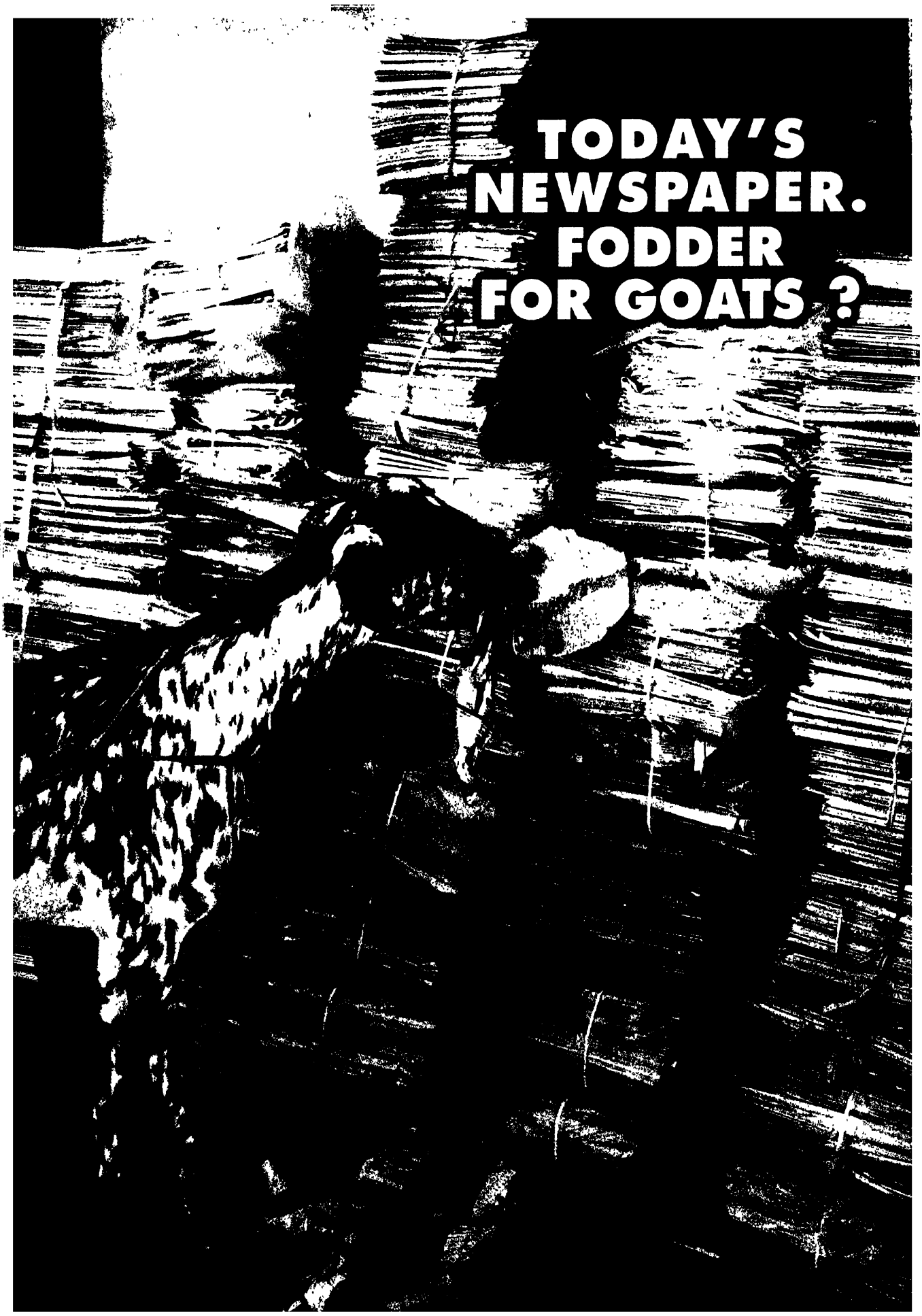
Specialised knowledge of asset services includes proficiency in development profiling and project planning — ranging from construction and renovation to retrofit projects and tenant interior work. This is made possible by integrating strengths in real estate research and market information with firsthand knowledge of the business needs and operational requirements of corporate owners and users.

Value enhancement is the underlying principle guiding every step of an asset services assignment. In terms of value addition, corporates benefit in their relocation efforts by getting a single point of contact for all development needs such as collation of requirements, space analysis, capital budgeting, project planning and scheduling, vendor management, site management, cash flow planning, project commissioning and post-occupancy evaluation. So they do not have to depute internal human resource to co-ordinate with several agencies and can instead concentrate on their main business. The asset services team also acts as an interface with design firms to ensure audited delivery of architectural and design services, thus minimising the scope of time or cost overrun.

Value delivery by asset services is another boon for corporates occupying old facilities. The asset services team can help them study their real estate expenses *vis-à-vis* their expansion plans and current market dynamics. Detailed studies of space efficiency, user group interaction levels, utilisation efficiencies of technical services and real estate costs help in formulating a renovation or relocation strategy to obtain maximum value. The implementation is also managed by the same team to ensure timely and cost-effective completion. This concept will catch up once real estate market dynamics start making CEOs think about reshuffling their costs in real estate infrastructure to take advantage of market trends.

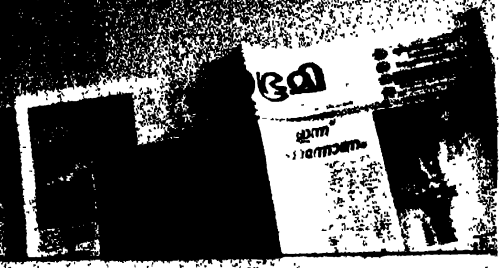
The advantages of asset services are not limited to tenants only. Owners of old or stagnated commercial facilities can gain significantly from it. In today's market, it is not possible for a developer/owner to maximise commercial returns from a facility if it does not offer "A" class services and good maintenance arrangements, even if it is located in the commercial business district or other prime areas. A comprehensive building analysis covering both technical and financial parameters can lead to a renovation plan which can fetch higher returns compared to existing ones. However, this exercise requires a very sound construction and commercial feasibility study adopted from multiple analysis of physical conditions, market position, income and operating expense history of the property.

With the fast changing corporate needs and India's potential as FDI destination, asset services are set to become an integral part of the real estate needs of corporations and developers. There will be a constant need for agencies that can understand the importance of preserving and enhancing asset values through effective and dedicated analysis to formulate development strategies and at the same time take care of the implementation exercise. •


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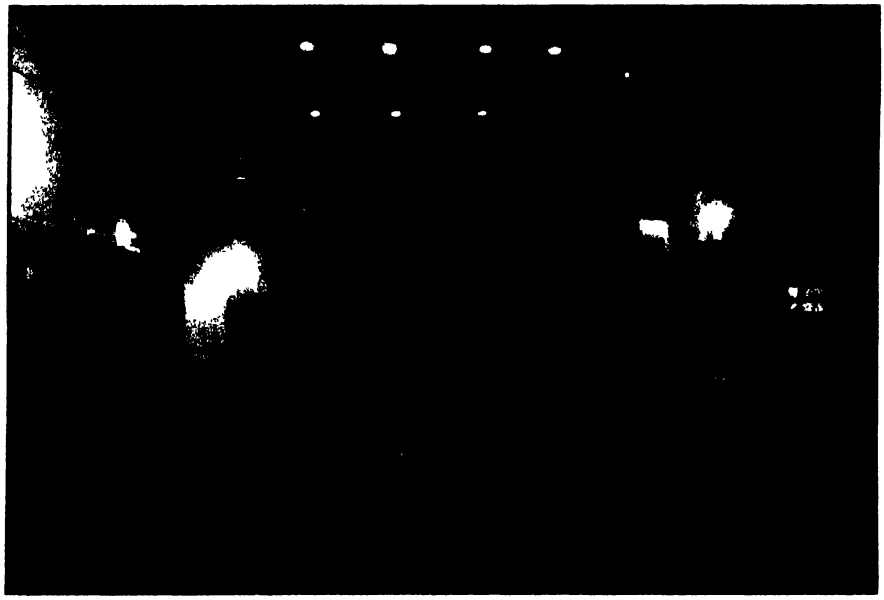
Powering progress

Maharashtra's new fourth-stage power project at Koyna will be the biggest single hydroelectric plant in India

Imagine a vast underground block of buildings, with 12 to 20 storeys each, accessed by a 10-kilometre network of subterranean tunnels. The block, 144 metres long and 20 m wide, is only the main machine hall of the 1,000MW Stage IV of the Koyna hydroelectric project near the eponymous, four-decades-old dam in Maharashtra's Satara district. "We excavated 400,000 cubic metres of rock," says K.R. Visvanath, project manager for civil works contractors Hindustan Construction Company (HCC). "The machine hall alone accounted for 125,000 m^3."

The Rs1,200-crore fourth stage, with four units of 250 MW each, is slated to be India's largest single hydel plant; a comparable one is still under construction at Tehri, while the Sardar Sarovar project continues to be mired in controversy. Each of the four units can be uprated to 280 MW, and is capable of an overload output of 315 MW in ideal conditions, explains Suhas Gaikwad, project engineer of UB Engineering Ltd (UBEL), which is installing the machinery – four turbines with 350-tonne stators and 360-tonne rotors made by Alstom of France, and a baker's dozen of 180-tonne transformers from BHEL in Bhopal.

Being implemented by the state government's irrigation department, HCC, and Alstom – which subcontracted UBEL – the project boasts first-ever use in India of 420kV gas-insulated switchgear and 420kV transmission cables. Six months ago it created history when Koyna's Shivaji Sagar lake was 'tapped' with a double opening using Norwegian technology to blast two smaller shafts rather than the usual single larger-diameter shaft. Connected to a common head race tunnel through four inclined pressure shafts, this enables a 260 m^3/s discharge to run the turbines with no additional diversion from the lake.



PRAKASH JADHAV

Power grows out of the tunnel of the Koyna plant

The first of the four units was commissioned by outgoing chief minister Narayan Rane on 2 October. When all four are up and running, by March 2000, Koyna's total peak demand capacity will be doubled to 1,880 MW. The first three stages are tiny by comparison — four generators each of 65 MW, 75 MW, and 80 MW.

All the underground excavation and construction work, explains HCC's Visvanath, was done by a technique known as NATM (new Austrian tunnelling method), which stipulates that the surrounding structure must be supported and stabilised so that it can stand on its own. The entire cavern, he points out, also has no horizontal tie-beams for additional support despite the awesome heights to which the ceilings soar. "This is because the vertical cement columns are anchored in the rock itself, which acts as a tie-beam," he says. "The credit for this goes to the irrigation department's engineers – we have tripartite discussions on how to go about any part of the job, and the best method is adopted."

Six-metre-long rock bolts, pretensioned to eight tonnes, are driven in and anchored with cement capsules to 'stitch' the walls, which are then covered with wire mesh and sprayed with concrete. "Even an earthquake can't affect it after all this!" Visvanath asserts confidently, ignoring the fact that he is standing under a couple of million tonnes of mountain rock in a notoriously quake-prone area in which a dam burst, nearly submerging Pune city in 1967.

Visvanath is also proud of his team's achievement in drilling the four pressure shafts – each 600 m long, angled at 58° to cover a vertical height of about 450 m – in record time. HCC used a Rs3.5-crore Australian machine, the Bortech raise climber, which has a work platform running on a monorail with four pipelines for air and water. Each shaft was completed in two halves with a horizontal tunnel joining them. "We did each 300m section in just $1\frac{1}{2}$ months," he adds.

A sophisticated, fully computerised control room brought in by Alstom enables the units to be operated from Kalwa near Mumbai, even with nobody inside the centrally air-conditioned underground complex. And with nuclear nightmares like the recent accident in Japan and the radiation leak in South Korea, 'clean' hydroelectric generation is obviously a good thing. Fortunately for Koyna, the dam was built before anti-dam activism!

•SEKHAR SESHAN

E-bargaining

A new city-specific Website is helping buyers shave prices off a variety of consumer durables

Prakash Bang discovered early in life that Indians don't just buy things; they want to bargain. Beginning life as a door-to-door salesman to put himself through high school and college, he learnt how price-sensitive people are. Twenty-seven years later, after setting up an award-winning advertising agency and running a brisk business selling branded mangoes online, he has gone back to that basic truth. Bang's latest is a proprietary concern, Rupee Saver India, which hosts www.rupeesaver.com.

The site is free to subscribers, as well as to shops and dealers who want to list a variety of products from cellular telephones to LCVs, refrigerators, television sets, and washing machines to personal computers and air-conditioners. Want to buy a colour TV, and the only specification you have is a budget? Log on: rupeesaver.com will give you the brands and models available in your price range, and the shop where you can get them. If you are savvy enough to know exactly what you want, the programme will tell you where you can get it at the lowest price.

"The programme has been developed so that it understands only rupees," he explains. "Even a ten-rupee difference qualifies a dealer to edge out others selling the same product." Thanks to this, listed CTV prices have come down by as much as Rs3,500 in just a couple of months, he claims. Having launched in Pune, Bang now wants to move on to Hyderabad, Bangalore, Chennai, Delhi, and Mumbai, and get into India's top 17 cities within six months. But each city will have a purely local site. This will enable local shops to hawk their wares, without wasting their messages on a far-off audience. "Even a *paanwala* can advertise on the Net!" he says. This is where Bang is looking at generating revenues — a Jaihind Cloth Store in the heart of Pune, or a Babu's Biryani in Hyderabad will pay for a banner which Rupeesaver members can click on to get details of what's on offer. Eventually, he plans to charge dealers an annual subscription.

One satisfied advertiser is Pune restaurateur P.S. Kalsi, whose Three Flights Up (TFU) got over 20 party bookings since he started advertising on rupeesaver.com four months ago. TFU caters for small corporate and other parties of around 50 people. An advertising client of Bang's Quiksel Communications, he finds the new medium much more economical than print advertising. "I used to spend Rs6,000 for a quarter-page in a women's magazine every month," he says. "This is almost free: I've paid Rs1,200 in four months at a rupee a hit, and got business worth something like Rs1.2 lakh."

Kalsi got good response from the yellow pages too, but finds the Website convenient to refer even other callers to. Everyone is Internet-friendly thanks to cybercafés, he points out. "Also, I have the scope to change my material at any time using my PC. With a press ad I have to go to the agency for everything," he adds.

Bang wants to change the way people shop. "Before going to a shop, you should check the prices on your PC," he says. Even if you don't want to go to the listed shop, you can use the information to beat down your local dealer — rupeesaver.com gives you the power to negotiate!"

Unfortunately this cuts both ways, as Nanik Lulla, consultant at Aircool Services, points out. Businessmen advertise products – especially high-priced ones like air-conditioners – at unrealistically low prices, then say the model is out of stock. "The customer is left hanging till the last minute; then they hike the prices," he explains. Shekhar Bidwai, who owns Integrated Systems and Solutions, however feels the site is a boon, especially with the boom in Internet users. "A buyer, can save time going round looking at pieces and prices," he says. But, Bidwai admits, he has not sold as many computers as expected thanks to rupeesaver.com.

Bang is bashing on regardless. "I have only a thousand-odd subscribers in Pune now, but I'll have half a million by 2003 through 300 franchisees," he promises. Given the USP of lowest price, he's probably punching the right keys.



Bang on target with people's need to bargain

• SEKHAR SESHAN

The e-biz show

Los Angeles is known throughout the world as the seat of showbiz. But most recently it played host to stars of a different kind — the stars of the IT industry

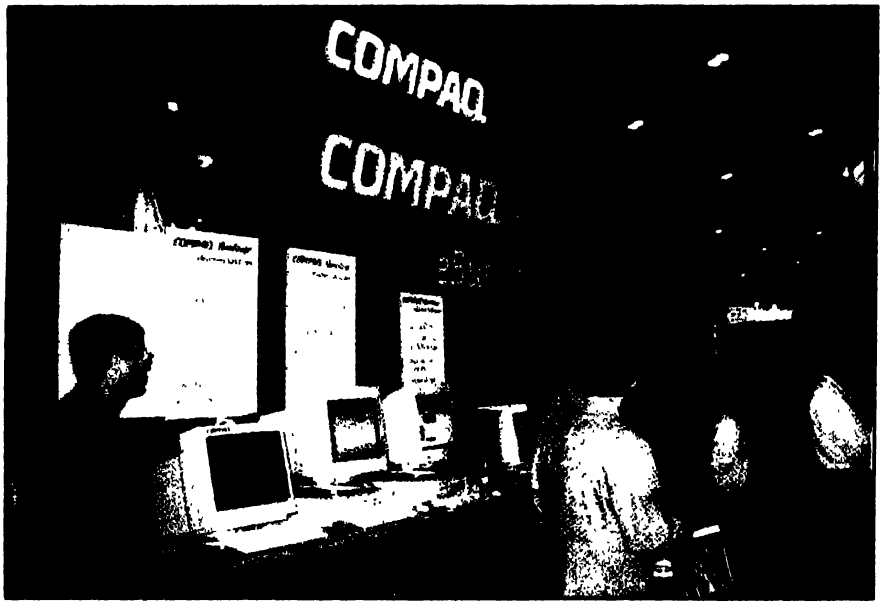
Between 14 and 18 November, more than 20,000 IT professionals from all parts of the world converged on LA to attend Oracle Open World '99 (OOW), billed as one of the biggest IT shows of the year. Over 300 companies ranging from the hottest dot.coms to Fortune 500 companies like Intel, Compaq, Dell, Unisys, etc, exhibited software and hardware systems that will shape the future of computing. OOW '99 was also perhaps the first convention of its scale to go online. Organisers said that many thousands of delegates who could not make it to LA got an opportunity to participate over the Net.

The focus of the convention was on e-business and how the Internet would fundamentally transform the way companies will do business. E-business is 'in' and more and more companies are moving towards it. E-commerce is different from e-business in that it is only the front end — setting up a Website and buying and selling through the Internet. On the other hand, e-business helps companies streamline their supply chain, manufacturing, procurement systems, human resources, and management systems to deliver their products more efficiently to customers.

While the Internet has expanded the markets available to a company since there are no geographical boundaries, it also means that competition has increased tremendously because even small companies can now inexpensively market their products through a Website. More importantly, customers can easily compare the prices of products offered by different companies. Craig Barrett, CEO of Intel Corporation and one of the keynote speakers at OOW, said: "I think the Internet will force all the companies to reorganise the way we deal with our vendors, the way we deal with our customers, and that will require internal reorganisation and restructuring."

According to Ray Lane, president & COO of Oracle, his company has already started aggressively reorganising its business using internally-developed Internet technologies to transform itself into an e-business. "We are already nine months into the process and, at the end of 18 months, we intend to dramatically bring down our operating expenses by $1 billion," he said. "We are not achieving this by laying off any people but by using our own Internet products which help us improve our productivity. For example, our global Internet procurement application, with which we can analyse our vendor performance, has brought down the cost of each purchase order from $150 to $30. Similarly, we will soon be able to bring down the cost of marketing from $200 to less than $25 per order. We have actually eliminated preprinted marketing material to allow our sales reps to print personalised, high-impact collateral on demand as an e-business innovation that eliminates the need to store large volumes of frequently redundant, rapidly obsolete material," he adds. Internally, Oracle has already realised dramatic benefits from e-business solutions. For example, its Web-based self-service application for employee expense reporting has reduced reimbursement turnaround time from eight weeks to just four days. It has also cut the processing workload by 25 per cent and slashed the per-report cost from $25 to $5.

Another trend that is emerging in the Internet age is consolidation of data centres. "Till recently," said Larry Ellison, the company's flamboyant CEO, "Oracle had data centres in 70 countries all over the world. And if I, as CEO of one of the largest companies in the world which provides technology to manage information, wanted to have simple information like how many employees my company has at a given point of time, it was difficult to get an answer. Or for that matter it was difficult to know the financial performance of my company as the data was sliced and diced countrywise. Not only is this an inefficient way of managing information but also terribly expensive as I have paid a fortune for all those computers in the 70 countries and I am paying a fortune for running these data centres. Now from 70 databases, Oracle is moving to just one and all the data in this single database is updated globally through the Internet. It is much more



ROOP SARNA

Oracle's e-biz partners were out in force, they included such big names...

ost-effective to maintain this data and information is now available instantaneously."

Similarly, it is better to have a few large servers than a large number of small PC servers, whose days, he declared, are numbered. Years ago the PC nudged out the mainframe and now the Internet is nudging out the PC. In his keynote address Ellison launched a broadside on Microsoft. According to him, Microsoft's central strategy has been to make the PC more powerful, thereby making it more and more complex. "We don't need complexity on the desktop. Instead, what we need on the desktop is an easy-to-use low-cost device with an Internet browser that can provide us access to the network. No data or application software needs to be stored on the desktop device, because all the data and applications can now be on the server in the network," says Ellison.

Ellison used the occasion to unveil a new low-cost device called the network computer (NC). He revealed that Oracle will set up a new company to manufacture and sell the NC, which will be sold at a price of $199 as compared to the cheapest PC available in the market, which costs $500. The CEO of this new company will be announced in a few weeks and the NC should be available in the market in the first quarter of the next calendar year. The NC has a 64MB memory and is powered by a 400MHz Intel processor. Ellison also announced that Oracle will spend $100 million to distribute network computers free to schools in countries including India, Israel, the Philippines, etc, in order to ensure that underprivileged students all over the world don't miss out on the Internet revolution.

Interestingly, the NC preview came only a day after Bill Gates had demonstrated Microsoft's Web Companion at the concurrent Comdex exhibition in Las Vegas. Web Companion is almost identical to the NC except that it runs on the scaled-down Windows CE operating system whereas the NC runs on Linux. Ellison's response to the news was that Bill Gates had stolen his idea.



... as Compaq, Computer Associates, and EMC²

Industry experts agree, because years ago it was Ellison who had first put forth the vision of a network computer. The original idea included 'dumb' terminals connected to powerful server computers and the new devices now being launched like the Web Companion and NC, which offer no local storage and are designed only for Web-based applications, are similar to Ellison's original idea.

Ellison also predicted that the future of IT companies would lie in providing e-services. "Five years from now Oracle won't be selling any software packages but will be providing e-services," he said.

Ann Livermore, CEO of Hewlett-Packard, couldn't be more in agreement. She said: "The next chapter of the Internet revolution will it be the one of e-services. A good example of this is Oracle Business Online. It is a service which hosts enterprise applications for other companies so that they can reap the benefits of enterprise-class systems, without having to make upfront investments in the software or the equipment or in hiring and training technical staff. This is being done through the use of Hewlett-Packard's software over the network systems. We are forging partnerships with other companies who want to give similar services as we expect the market for such services to grow to a staggering $20 billion by 2001."

Michael Capellas, president and CEO of Compaq, was also one of the keynote speakers at OOW '99. According to him the Internet economy is a round-the-clock, round-the-year world where business must go on nonstop and therefore reliability, scalability, and availability of servers is of utmost importance. Servers and databases should be capable of handling teraflops of data and if one server fails, another server should be able to seamlessly pick up the traffic without affecting the network and without any loss of data.

Oracle also announced the opening of Oracle Exchange, the industry's first open business-to-business online marketplace service. Oracle Exchange, which is expected to be the largest e-business community of its kind, will allow any company to buy goods and services via the Internet. Vice-president Mark Jarvis also demonstrated how in the future cellular phones will be used to access the Net and even transact business over the Web. The company showed its 'Portals to go' software that Web-enables cellular phones. The product is already available for purchase by telephone companies.

Besides these, OOW '99 also showcased an array of other products and trends that will drive the future of Internet computing in the years to come.

› ROOP KARNANI in Los Angeles



T S KRISHNAN

The author is director (northern operations) of Microsoft Corporation India Pvt Ltd. He can be accessed at tskrish@microsoft.com

The fine art of application

Line-of-business applications offer solutions to suit your specific needs

Telecommuting, sales force automation, branch automation and ERP increasingly point to the growing reality of new age computing. We look at how innovative line-of-business applications are automating core processes for companies today, reducing their time-to-market, lowering costs and empowering them with intelligent decision-making.

ERP: One of the main reasons why more corporates want to do business over the Net is to integrate their operations with those of their suppliers, partners and customers seamlessly. The first step to achieving such an information network is to make supply chain and inventory control applications available on the Net. As data sources increase in number and data complexity multiplies, companies have to move in a phased manner, linking their suppliers' computers to their own systems. Free flow of information from the customer to the company and then to the supplier requires that all the processes on the way are clearly defined and completely transparent.

An ERP package internally maps all processes and allows for timely information access at any time. By handling various business functions through a single application and by linking related business tasks, ERP systems improve strategic business processes and help improve decision-making. Businesses looking at software solutions to automate their core processes can now find fairly customised ERP packages to suit the needs of their industry. Some such ERP packages are Garment 2001, an on-line integrated garment factory management system; Harvest, a total ERP solution for plantation computerisation and Prophesy, a complete international trade finance software that automates all the trade finance operations of authorised forex dealer branches.

Branch automation: Many businesses find themselves maintaining geographically distributed branch operations. Banks, retail stores and direct sales organisations are some examples of such businesses. A common problem faced by such companies is that each branch runs independently, on an isolated network. It becomes difficult to centrally manage these resources.

To succeed in today's competitive environment, companies are looking for solutions to satisfy customer needs across a wide range of integrated delivery channels, develop new products in the shortest possible time, and integrate technology with business strategies to maximise competitive advantage.

In the case of a bank, for instance, whether it is looking to deliver its products and services through its branch network, via the telephone or to a customer's home PC over the Net, an integrated branch and electronic banking module provides solutions for all these requirements. WinBank, BankFlow, BancMate are some of the software solutions helping banks automate their daily transactions so that they can handle more business volumes and provide more flexible banking services to customers with the same resources. Branch automation leads to better information management.

Workflow solutions: The need for free and constant information flow within an organisation has propelled the need for workflow applications. These applications increase effectiveness by streamlining and managing a company's key processes and enable employees to communicate, collaborate and co-ordinate real time. Any organisation that has well-defined routing of documents and processes and clear-cut lines of command can benefit from workflow automation. Document approvals, expense clearance and bill reconciliation are some of the processes that can benefit from a workflow application.

A good example is an IT helpdesk function. Using a workflow automation process, the function can provide an efficient method for correction and measurement. The system starts with the user sending service requests to the call centre. The centre assigns the problem to a specialist who can either solve the problem or pass on to a senior. The problem is marked as solved only if the user marks it as solved. If the specialist does not solve the problem within a specified time, the problem gets auto escalated to the next level. Some firms developing workflow applications in India today include Wipro with its OpenHR software and Sonata with its automated Helpdesk.

With the wealth of software development talent and the growing market for Line-of-Business applications, the market offers numerous choices of automation packages. Companies should explore the cost and efficiency benefits that can accrue to them through these solutions. •

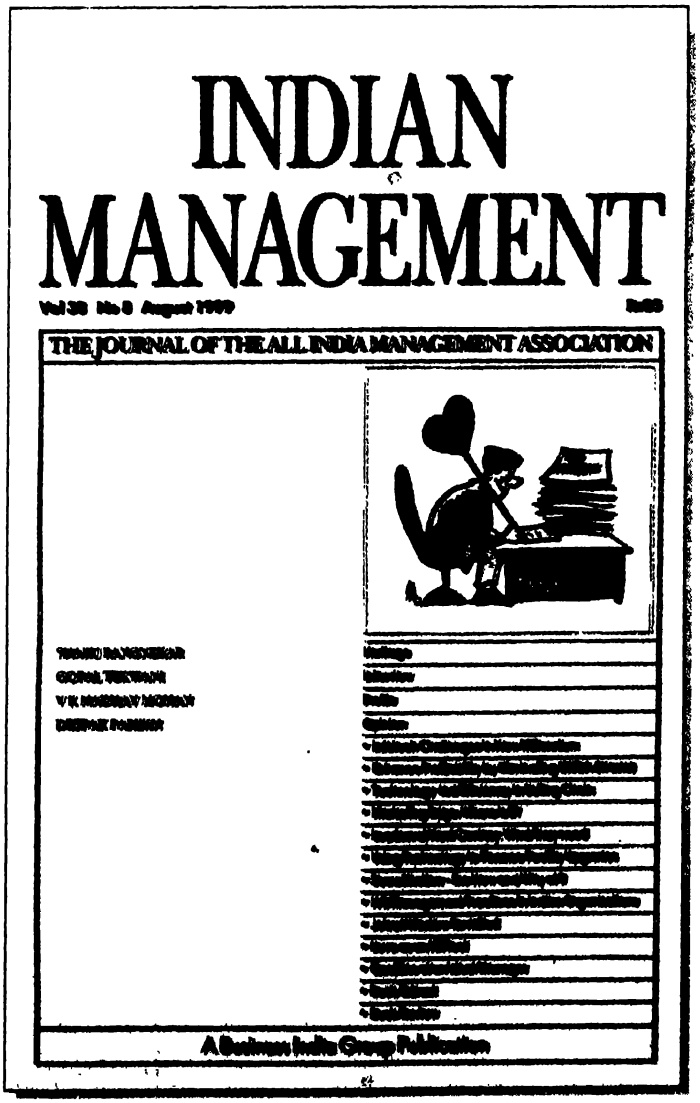
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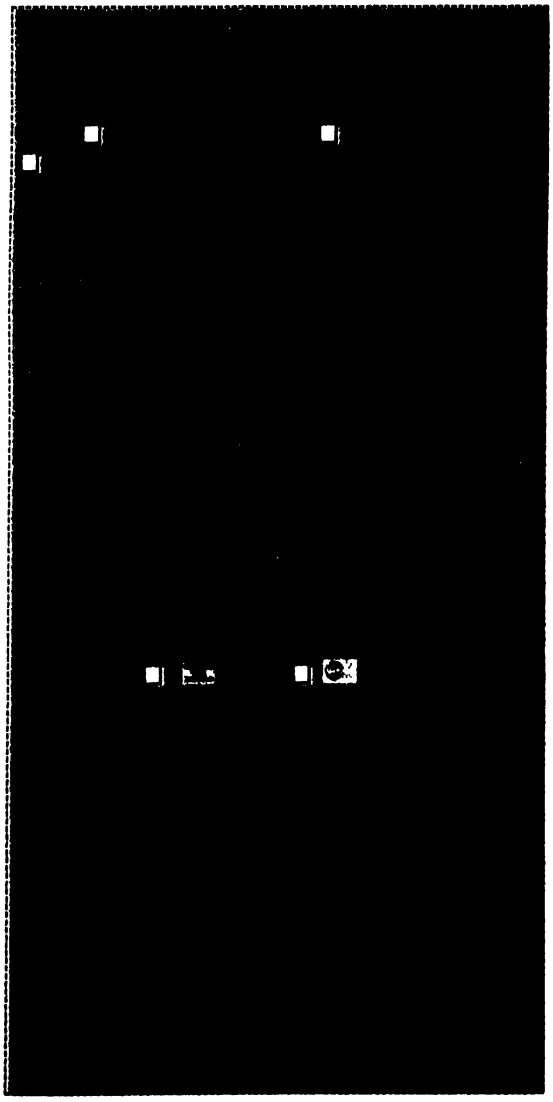
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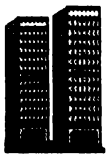
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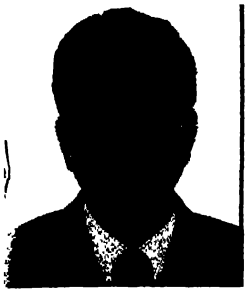
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The author is founder and chairman of Aptech and Hexaware

The Net within

For large corporations intranets and extranets provide vital internal links and communication channels with suppliers and select customers

Charity, it is wisely said, begins at home. Paraphrasing that into e-speak, it wouldn't be out of place to declare that the use of Internet technologies within an organisation – in the form of an intranet – is as important and beneficial as using the interaction with the external world of customers and suppliers. Used effectively in an organisation, intranets create virtual work communities of employees, all armed with more information about the company and its activities, potentially enabling them to better handle their jobs and interactions within the company as well as externally.

What it is

Without going into technicalities, an intranet can simply be described as a private version of the Internet, implemented within an organisation. Since it uses the standard Internet protocols, its installation and usage are not unlike that of a Website on the public Internet — except that access is usually restricted to employees within the company. While not essential, an intranet may be connected to the outside Internet via gateway computers which have "firewall" software to screen and filter messages and maintain security and integrity of company data and restrict external access.

A company intranet may span geographically disparate branches and locations; in such cases a method known as tunnelling is used to send private messages though the public network (Internet) — encryption and other safety measures ensure the security and impenetrability of the tunnel, thus creating virtual private networks over the Net. Parts of the intranet that may be made accessible to customers, suppliers, and other outsiders form what is called an extranet.

In India, companies are now beginning to realise the value of intranets, and, in combination with extranets for effecting business-to-business e-commerce, are jumping onto the e-business bandwagon much more enthusiastically than before. Maruti Udyog, Hindustan Lever, ITC, TVS-Suzuki, Samsung — the list is growing rapidly.

Intranet benefits and applications

The most obvious benefit that intranet implementation offers is that of cost savings. Internal documents can be published on the Web rather than on paper and updated as frequently as required with little additional investment; access can be provided to all employees on demand. From a technology angle, an intranet is far cheaper to implement than say a traditional client-server or legacy application. From the user's point of view, using the intranet is as much a no-brainer as browsing the Web with a standard browser and requires virtually no alteration of installed hardware. Further, an intranet is easily scalable and can be augmented at the server end without much difficulty as more information and applications are added on.

Documents and information

The first set of applications that obviously qualifies for implementation on an Intranet is personnel- and HRD-related. Routine paperwork like leave requests and status, tax deducted at source computations, etc, can all be automated. In fact, if ever we are to attain to that elusive concept of the "paperless office", intranets are bound to play a very important role, thus eliminating that time-wasting but inevitable "paper chase" that we all become victims of whenever some obscure document is required.

Customer service

Integrating the intranet with an enterprise application system (EAS) can enable efficient and effective customer service, including order status and tracking, product availability, contact management, answers to frequently asked questions, etc. In India, Samsung interacts with dealers via an extranet and transacts orders worth lakhs of rupees online.

Conclusion

Several years ago, when the concept of intranets was just about beginning to gain credence, Steve Jobs, then CEO of NeXT Computer Inc, remarked: "The intranet has broken down the walls within corporations." The result? Better-informed employees, working more efficiently, in enterprises better equipped to respond to customers and communicate with suppliers. Regardless of the size of your organisation, you too can benefit by wiring your workforce. •

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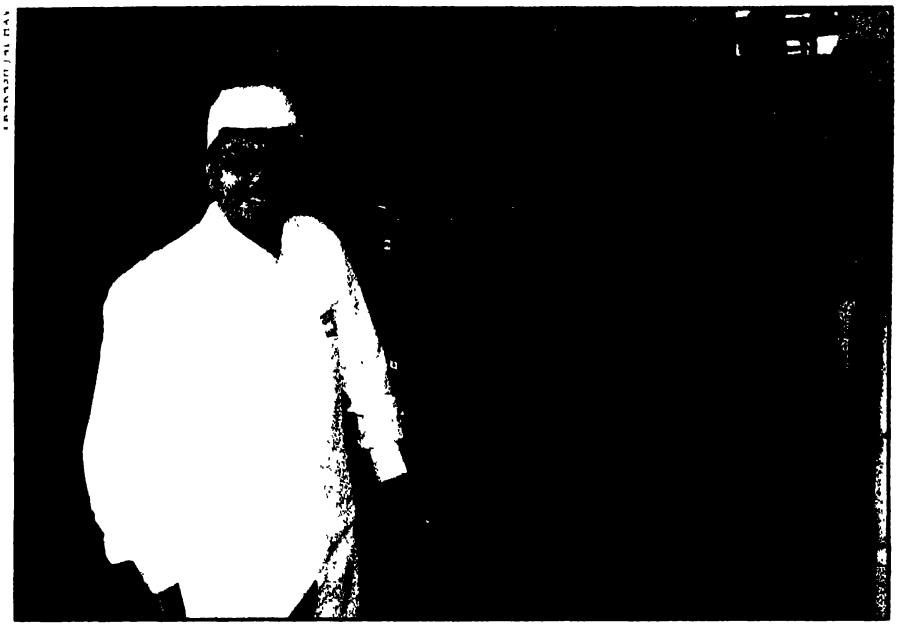
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Biting strongly

A Pune-based company has made good in the US and other markets with a retort cooking technology that it had pioneered when it was an idea way ahead of its time



Nigam sees huge institutional business potential

Ten years ago, it was a revolution in the way you thought of ready-to-serve (RTS) foods. A 10-hectare farm for captive cultivation of tomatoes, brinjals, spinach, and *methi*, gleaming stainless-steel vats and other equipment in a sterile environment, and a revolutionary retort-cooking technology to ensure a long shelf life for a variety of Indian foods.

The product is manufactured by the 'retort' process developed by Nasa for astronauts in the late 1960s. This was picked up and commercialised by the Japanese, from whom TBEL acquired the technology. The flexible retort is an aluminium pouch in which the semi-cooked vegetables, complete with all the masalas, are cooked fully, sealed, and sterilised. The removal of most of the air inside the pouch, and the sterilising of what remains, gives the food an unrefrigerated shelf life of at least 18 months, with no preservatives or additives.

"It was all there when the plant was set up 10 years ago — we haven't added anything," says Ravi Nigam, president of Tasty Bite Eatables Ltd (TBEL) and part of the new team brought in by US-based Preferred Brands Incorporated (PBI), which took over the company in 1997. "Ravi Kiran Agarwal, who set it up, was really a visionary. Unfortunately, he didn't manage to market the product." Agarwal, who runs a construction company in Mumbai, agrees. "I just didn't have the money to keep it up," he says of the vegetarian and non-vegetarian RTS range he launched in 1990. "When Lever took over the company I thought they would do great things with their marketing muscle — but there is a dearth of entrepreneurship in the US!"

Enter Pepsi, which looked at possible RTS exports to meet its obligations on this front when it set up in India. But these were lifted with the reforms, and the US multinational lost interest. PBI – a company set up by former Pepsi executives Ashok Vasudevan, his wife Meera, and Kartik Kilachand – acquired exclusive marketing rights for TBEL products in the US and other key global markets in 1995 (see *Business India*, 19 October 1998).

Along the way TBEL was sold to Ravi Ghai of Kwality, which was taken over by Brooke Bond Lever India Ltd (BBLIL). But BBLIL was interested in only ice-creams and not the RTS line; so it hived off the business to PBI, which set up the joint-venture Preferred Brands Foods (India) Private Ltd with venture capital from the Commonwealth Development Corporation (CDC). Meanwhile, the unit went through restructuring under the Board of Industrial and Financial Reconstruction (BIFR). In the nine-month period from July 1998 till March 1999 it got out of both debt and BIFR, and declared its first-ever net profit: Rs47.12 lakh on a turnover of Rs4.1 crore.

"When PBI stepped in, it moved away from the popular belief that Indian foods were only for Indians," says Nigam. "It aimed at an American audience." The company revamped the marketing mix, reduced the number of variants from 28 to five with just one 300g pack, and rechristened the contents from the original unfamiliar and unpronounceable Indian names to tags associated with areas and cities their new customers were familiar with. So 'methi mutter malai' became Agra Peas and Greens, 'navratan korma' was reborn as Jaipur Vegetables, and 'palak paneer' was renamed Kashmir Spinach.

Relaunched in 1995, the range is now on the shelves in mainstream natural food stores for American consumers. "Ours became the first Indian product in an international store when Trader Joe's, the California-based natural foods chain, started stocking Tasty Bite," says Nigam. "And because it is not a frozen product it really took off!" Frozen foods, he points out, have no brand equity: "Cut frozen vegetables are just cut frozen vegetables, whether they are Lever or Heinz; and TV dinners have never been known for great taste or value for money!"

Sales have been growing by 22 per cent a year against the industry average of 2 per cent, in spite of the fact that mainstream stores like Walmart have their natural foods in an aisle inside. TBEL sent seven 40-foot



Throw away your knife, just use scissors, say the Vasudevans and Kilachand

container loads to the US in the very first year of exports; it is set to ship 40 containers this year. "BBLIL had ownership control but no management inputs. PBI was the real stakeholder in TBEL because it accounted for 90 per cent of its business," Nigam adds.

Agarwal, however, insists that he had broken into the US market long before PBI got into the act. "I was the first to get into this business, in 1990–91!" he says. "I got approval from the US Food and Drug Administration (FDA), and was exporting to the US through Parson Projects Inc." Agarwal, who still nurses a "deep attachment" for the company he tried to nurture – "like my own child" – is happy that TBEL is doing well; but he regrets that it is missing out on earning valuable foreign exchange because the same party, PBI, is both exporter and importer. "The sky is the limit, only good marketing support is needed," he says. But even today, PBI is interested only in products which the US market wants, he complains.

"Pepsi needed TBEL mainly to meet its export obligations," Ashok Vasudevan points out. "Anyway, there is no scope for non-vegetarian products because the US doesn't allow meat imports from India. Also, the trend everywhere is towards vegetarian foods." The new product nomenclature, adds Meera Vasudevan, is piquing American interest. "People like names which are different from the generic ones," she explains. Research conducted last year showed that most of Tasty Bite's business is driven by high-value, loyal customers belonging to the top 10 per cent stratum of society.

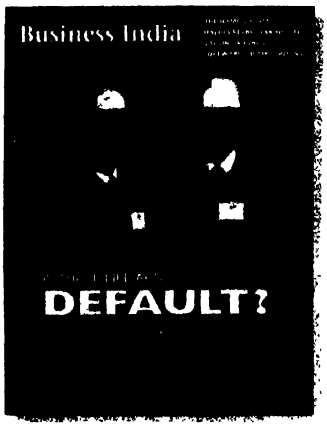
According to Ashok, the success in the US is because it is "collaborating, not competing" with the housewife. "The cuisine comes home, it doesn't challenge your culinary abilities because it is a heat-and-eat product," Meera explains. "We want the consumer to throw away her knife and just use a pair of scissors." Adds Ashok, "TBEL has proved that India can create world-class products and globalise brands. We want to see Indian food not only in the US, but everywhere else too." The product has already been launched in the Netherlands and Switzerland, and is slated to enter Japan next. "We are also talking with the Dutch government for setting up a farm," says Meera.

Tasty Bite packs are exported not only in containers: vegetarians in India send them in large quantities to their children living in other parts of the world. Indians travelling abroad also carry it with them — especially Jains, who are most particular about guaranteed vegetarian food. One Jain couple took along 16 kilos on a 15-day adventure trip. "They were part of a group we took to Sri Lanka," says Pune-based architect Suhas Deo, who doubles as a paragliding instructor. "They actually brought it only for themselves, but everybody else, including the Sri Lankans, freaked out on the food, and they got hardly any from the packs opened at each meal." But the packs didn't run out, and Deo took the rest on to Switzerland, then Italy — where he hosted an 'aluchhole' and 'palak-paneer' party. "There is a huge adventure tourism market; 20 per cent of the expenditure is on food," says Nigam.

TBEL also has a Thai Table range, and Instant India condiments. Other items on the menu include ready-to-pour curry sauces – expanding on to the dining tables of meat-eating people – and curry pastes for those who want to cook their own Indian meals, like chicken vindaloo or prawn masala. TBEL also has recipes on its Website, including one for a Thanksgiving turkey using its stuffing. "Food habits are being integrated, though very, very slowly," says Meera. "People are eating burgers with our Bombay Potatoes, and quiche with Kashmir Spinach." As Ashok explains, "The number of uses is also growing, apart from the number of users." And the future? "We are looking at a range of fruit snack bars in the US," he says. Kilachand adds, "The Indian market is also ready now: the food service business is growing with standardisation, hygiene, and convenience becoming more important factors." And the development centre at the TBEL factory is being beefed up to extend the range beyond north Indian cuisine, and conducting research to see what is wanted. Next course: a Mumbai 'pao-bhaji'? Don't be surprised, there's demand for it all right!

› SEKHAR SESHAN

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If at first you don't succeed

The exchange that was touted as the answer to the small entrepreneur's prayer has another go at fulfilling its charter



Bosco is gung-ho about OTCEI's future in the emerging enterpreneur-led economy

Eight years and as many revival packages later, the Over The Counter Exchange of India (OTCEI) is all set to breathe new life into its attempt to provide a platform for trading in scrip of small and unlisted start-ups. Having launched live on-screen trading in 1991–92, at a time when even long-distance telephone dialling was in a primitive stage in the country, the exchange has been languishing because of poor liquidity. Hardly 20 or 25 brokers regularly trade on the OTCEI, chalking up a daily turnover of around Rs20 crore, its managing director Joseph H. Bosco admits — but he is gung-ho about the latest move to appoint 250 new dealers, for which the exchange has just received approval from the Securities and Exchange Board of India (Sebi).

Broker interest, says Bosco, perked up after OTCEI announced that it was setting up a subsidiary, OTC securities Ltd, to list on the National Stock Exchange (NSE). The new brokership company will enable its members to trade as sub-brokers on NSE. Another tie-up will allow parallel trading of scrip in "deserving and performing" OTCEI-listed companies on NSE without having to meet the latter's higher base-level listing requirements. "More than a hundred of our own brokers have already called up to say they are willing to start immediately," he says. "They are also becoming our spokesmen with others." It has already given out 60 application forms for new dealers in the first couple of days after it started issuing them; and many more requests for information are pouring into OTCEI's various offices.

Bosco is confident that the membership drive will help create a strong network of brokers with access to existing liquid stocks as well as emerging stocks in hi-tech companies. Information technology (IT) ventures, as well as those in other sectors like pharmaceuticals, biotechnology, media, and services, where intellectual capital is more important than physical capital in India's new entrepreneur-led economy, are prime targets. Surveys estimate that there will be 10,000 new units in IT-enablement services alone within the next decade,

pening up a million fresh jobs and enerating revenues of Rs82,000 rore, he points out.

Initiatives like encouraging investment in unknown companies by having market-makers with a minimum net worth of Rs1 crore for at least 18 months, coupled with modification of the software to restrict the spread to 5 per cent so that the market-makers no longer rule the roast because others can go online and buy or sell with matched quotes in a hybrid trading mode, will ensure that OTCEI does not go the way of the 16 small stock exchanges which are virtually dead. "Brokers want to be where the action is, but the fact remains that higher liquidity needs a larger number of brokers: it's a typical chicken-and-egg situation!" Bosco says. He plans to make market-builders of NSE's nearly 1,000 members, who trade in scrip worth Rs4,000 crore a day.

Protection for investors will include full upfront disclosures by new companies on its Website, and public announcements before listing. Bosco is meeting the top two-dozen chartered accountants for appointment of auditors to conduct due diligence and submit reports to OTCEI. "We will be very strict; we'll take only the best companies," he says. "We won't ever dilute our standards and let the wrong company come in — otherwise we'll be back in the situation following the stock scam of 1994–95, when 3,000 companies listed on various exchanges just vanished!"

OTCEI's standing committee to 'define and explore alternatives for developing prudent listing norms' for companies seeking listing on the exchange has also suggested the introduction of insurance cover for IPO funds. Bosco, a member of the committee, headed by Microland chairman Pradeep Kar, explains that apart from fraudulent misuse of such funds, insurance should cover risks like failure or delay in refunds or listing, and the project failing to take off for any reason including natural calamities which are beyond the promoters' control. A major insurance company has evinced keen interest in introducing such a product in the Indian capital market, and discussions are on to work out a proposal at a reasonable cost, he says. The committee also recommended norms including new threshold listing requirements; an arrangement with NSE for parallel trading of OTCEI-listed securities; and the constitution of a separate committee to screen companies before listing.

The ace in OTCEI's pack is its plan for trading in unlisted securities, to formulate guidelines for which it had set up an informal group. This market, the exchange feels, will be the ideal launchpad to complement the IPO market, enabling companies with no track record to access the stockmarket platform to raise funds. The segment is also slated to become the mechanism through which capital market regulators can introduce corporate governance standards like stricter disclosure standards and better information from promoters. It will, Bosco points out, also provide the perfect exit route for venture capital, private equity funds, angel investors, and high-net-worth individuals who might otherwise be forced into disadvantageous price negotiations.

To be qualified participants (QPs), however, such entities must have a minimum net worth of Rs2.5 crore, get the approval of a selection panel of OTCEI, and submit an interest-free deposit of Rs5 lakh. Unlisted companies can also buy back their own shares through this segment, through the bookbuilding route. Companies trading in this segment must also go in for a compulsory share dematerialisation arrangement with a depository for their entire equity, as all placement and buybacks will be done only electronically. Both negotiable and firm trades will be permitted, but the minimum transaction value per trade must be Rs10 lakh, to keep out small operators who don't know anything about the company.

"This will broadbase the existing market and provide organised transactions through free interaction and information using the Internet," Bosco adds. "With all this happening, OTCEI is now ready to fulfil its mandate to become the premier exchange for IPOs and new listings in the country."

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STRINGS



NIRMAL JAIN

The author heads Probity Research & Services Pvt Ltd, a Mumbai-based information services company. He can be accessed at www indiainfoline.com

IT's your future

There is no denying that information technology will change the way we live

Information technology will shape India's future in the new millennium "IT stands for India's tomorrow," Prime Minister Atal Behari Vajpayee told *Fortune* in a recent interview. He could not have put it better.

Just a few years ago, how many of us even imagined that a company like Infosys could make a profit of close to Rs300 crore in a year? Or that Indian IT and Net companies could get listed on Nasdaq and be valued at over $1billion? Most people consider the success of the IT sector or its relevance only for foreign exchange earnings. Or for stockmarket profits. There is much excitement and media coverage over Indians who have made their millions and billions in Silicon Valley. But few people will still believe that IT can go a long way in avoiding destruction of the kind caused by the recent cyclone in Orissa, or in helping children in the backward villages of Bihar to get their basic education, and even in helping farmers of Gujarat and Andhra Pradesh get reliable information on weather and better prices for their produce.

When we travel to the US or Europe, we are amazed at the degree of automation and computerisation in shopping malls, airports, highways and government offices all over. Many Indians are overawed and feel that this kind of automation is impossible in India. Rarely do they remember that the entire IT revolution the world over has been made possible largely with the efforts of their Indian brethren. Software programs backing the efficiency of Singapore Airport as well as Northern Telecom bear 'Made by Indians' mark. It is a pity that till recently the governments in India could not comprehend and appreciate the role IT can play in improving the living standards of the masses.

In the new millennium, technology will ride on the Internet. Today villages in India need Internet infrastructure more than probably roads or schools. Sounds crazy? It won't when one thinks about all that the Internet can deliver – education, health-related services, efficient trade, communication. It can catalyse social and cultural change, information and awareness. It can reduce the requirements of transport and travel considerably, amplify utility of scarce resources in services and help in cultural change, sensitising the masses to better ways of living, planning the family, *et al*. The government will have to take initiative in improving telecommunication infrastructure, vernacular software and making computers available in every nook and corner of the country. The results will be beyond all expectation.

How many people in the early 20th century could have imagined that services could account for 80 per cent of the GDP of developed countries and over 50 per cent of the GDP of developing countries? That so many people will be spending a huge part of their income on eating out, entertainment, leisure, travelling, etc. It is difficult to imagine how technology and the Internet will change our day-to-day lives. It would be naïve to think that such changes will happen only in developed countries. In fact, the benefits and impact will be much more evident in a developing country such as ours.

IT is not only India's tomorrow but also the world's tomorrow. In all the economies, IT has become the fastest growing sector and is likely to remain so. In stockmarkets, there will be endless debates on whether the bubble will burst or not. Whether IT stocks are over valued or not. It is possible for the stockmarkets to beat the expectations of the fastest growing sector and have wide fluctuations. There will be unscrupulous promoters who will fleece investors in the name of IT and so on. However, what nobody can afford to disagree is that our tomorrow will be shaped by IT.

The government has a key role to play. One will have to watch with bated breath whether the new IT minister, Pramod Mahajan, delivers the goods. In the new world of the Web, speed is of paramount importance. The government's responsibilities do not end with enactment of cyber laws. In fact, they begin with them. It has an arduous task of building a robust, modern and efficient telecom infrastructure and being pragmatic in allowing broadband by alternate medium. In the 1970s and 1980s, India failed to build an infrastructure of roads and ports even as other Southeast Asian countries were busy building their infrastructure. Today, one can again take lessons from Singapore – the way the government there is building Net infrastructure. We hope the Indian government follows the example set by the Singapore government. ◆

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- **Accident benefit:** In the event of death due to accident, four times the Sum Assured will be payable.

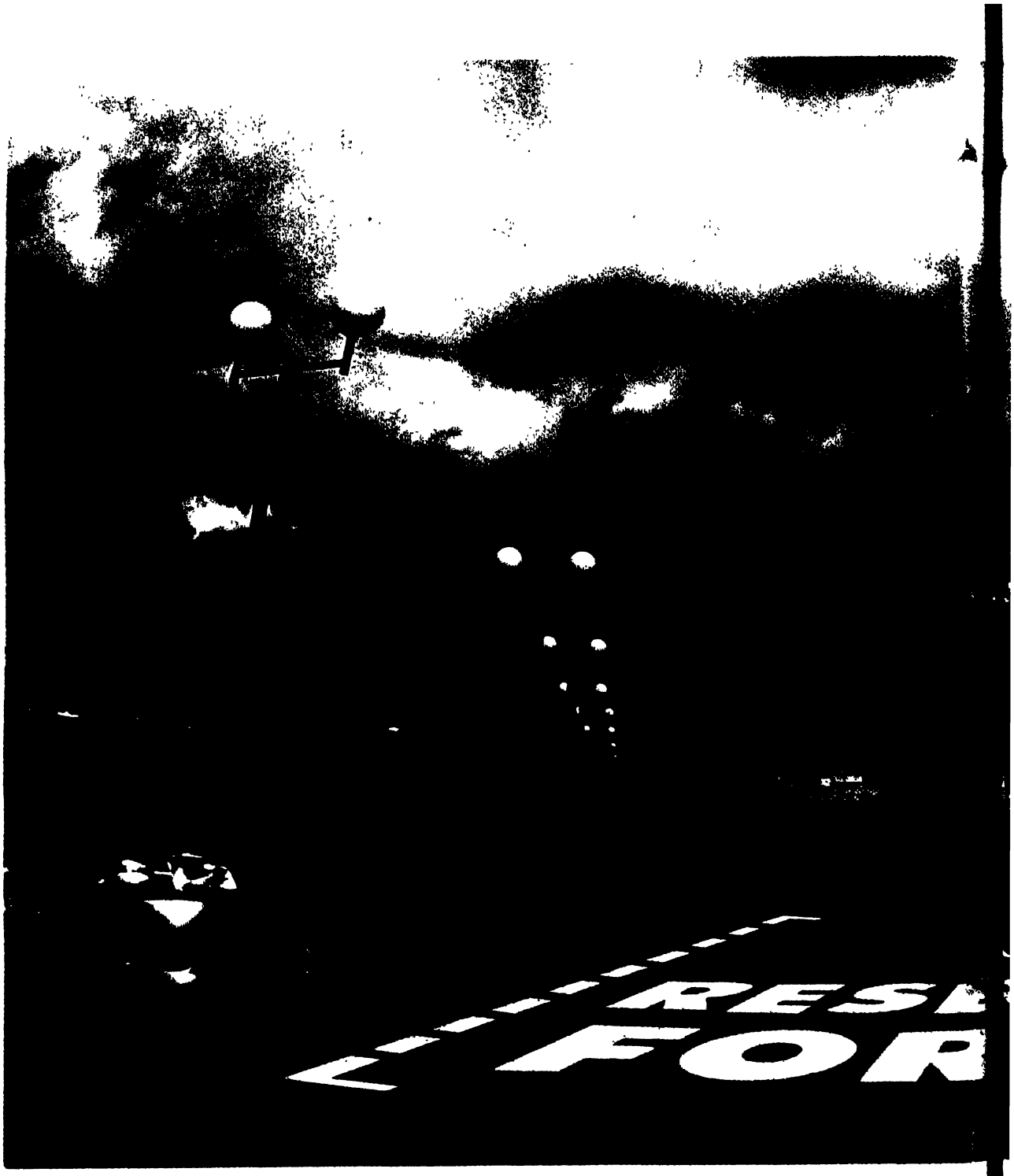
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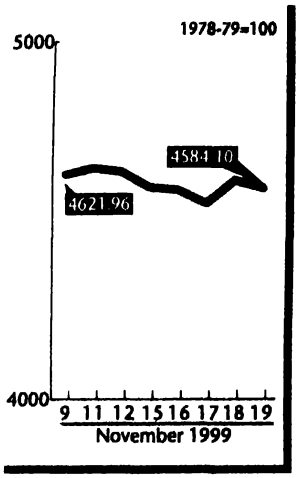
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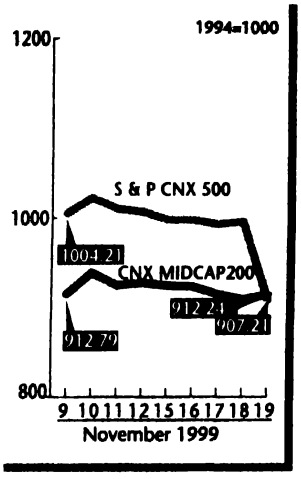
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Indicators for fortnight ended 19 November 1999 Equities

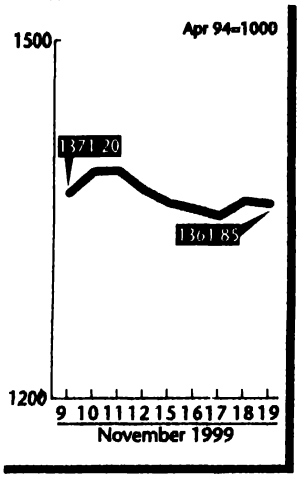
BSE-Sensex



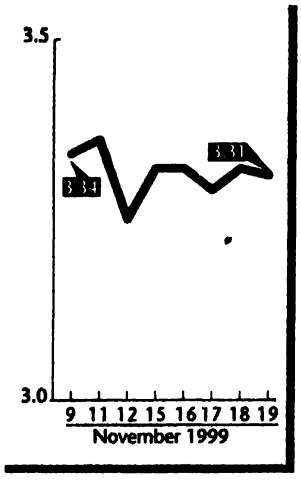
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 -Best Performing Industries

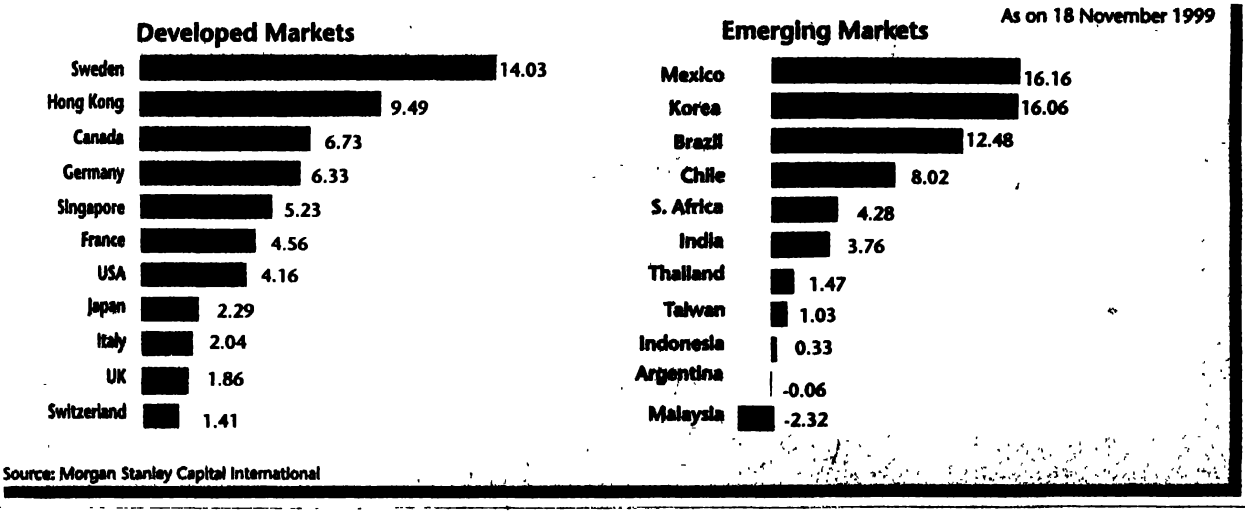
Industry Name	2-week % change	Yearly % change
Sugar	10.69	28.73
Auto Ancillaries	9.55	85.44
Engineering	8.31	59.01
Miscellaneous	8.02	104.62
Telecommunication Services	7.10	35.56
Computers - Software	6.32	345.68
Finance	6.30	106.07
Telecommunication Equip	6.20	514.40
Cables-Telecom	6.19	311.45
Refineries	6.11	27.82

S&P CNX 500 -Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Shiping	-16.03	-15.96
Bearings	-10.18	49.61
Machine Tools	-8.57	-18.76
Diesel Engines	-8.55	42.76
Pollution Control Equip	-8.13	-14.49
Steel & Steel Products	-7.23	67.93
Chemicals	-7.10	21.45
Dyes & Pigments	-6.65	37.14
Compressors/Pumps	-6.08	7.55
Fertilisers	-6.03	42.04

Monthly change in world stock indices

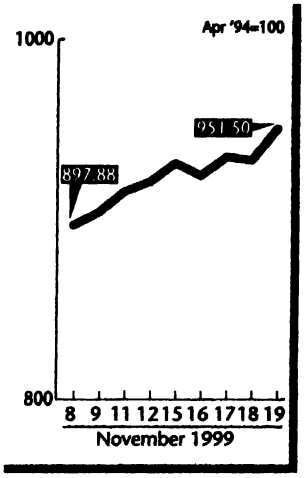
As on 18 November 1999



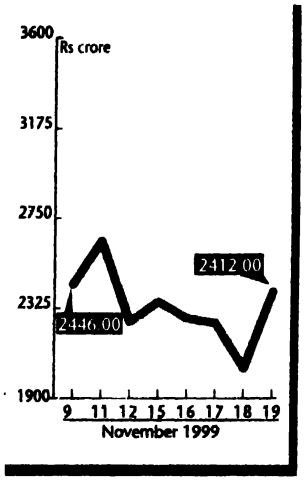
Source: Morgan Stanley Capital International

Equities

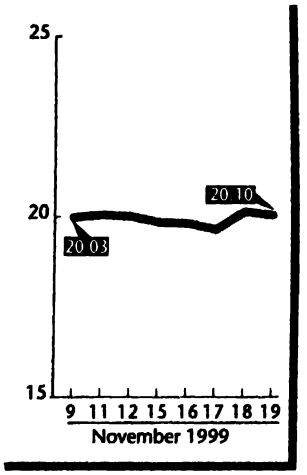
Skindia GDR-Index



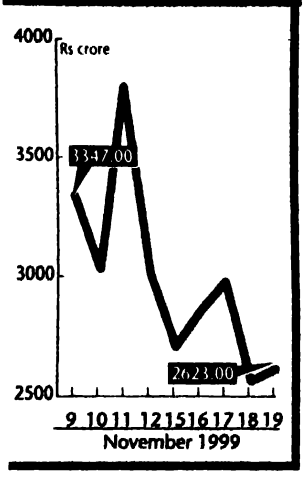
BSE-Volumes



Sensex PE



NSE Volumes



S&P CNX 500 -Best Performing Stocks

Company	Price-19 Nov Rs	2-week % change	52-week High/Low
Usha Beltron	208.00	52.94	214/54
Transpek Industry	63.35	47.67	71/25
Birla Yamaha	58.00	41.46	60/18
Sundaram-Clayton	380.00	40.22	380/108
Mastek	4970.00	32.60	5185/322
Adani Exports	656.00	31.23	724/115
Excel Industries	394.90	31.20	499/114
Balrampur Chini Mills	134.00	29.22	137/72
Archies Greetings & Gifts	729.90	25.84	809/183
Reliance Capital	92.75	25.34	105/28

S&P CNX 500 -Worst Performing Stocks

Company	Price-19 Nov Rs	2-week % change	52-week High/Low
Thermax	134.15	-26.29	308/109
Birla Corporation	36.05	-24.03	66/20
Shipping Corporation	23.00	-23.71	43/14
Phoenix International	19.20	-22.89	40/11
Ceat	44.00	-20.72	100/17
Ashok Leyland Finance	29.20	-18.44	47/20
Caprihans India	29.50	-18.06	59/13
Century Textile & Ind	42.00	-17.97	96/22
Alembic	434.75	-16.23	677/85
RPG Cables	45.80	-16.12	82/10

S&P CNX 500 -Most Active Stocks

Company	No. of shares (Lakhs)	Price-19 Nov Rs	2-week % change
Reliance Industries	580.99	223.60	-3.58
Silverline Industries	507.17	443.40	7.02
Pentafour Software	362.76	666.05	-0.08
Himachal Futuristic	336.39	371.00	19.02
Satyam Computer	240.34	1636.00	7.28
Ranbaxy Laboratories	220.40	922.05	-3.27
Rolta India	209.21	136.50	-5.27
State Bank of India	189.38	232.90	-0.89
Global Tele-Systems	183.30	493.00	-8.01
SAIL	173.50	10.25	-13.87

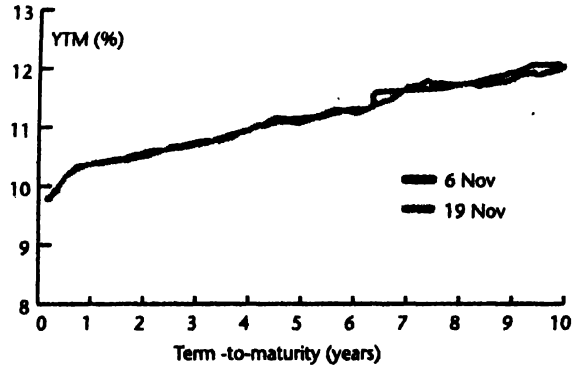
S&P CNX 500 -Large Market Cap Companies

Company	Avg Mkt Cap Rs crore	Price-19 Nov Rs	2-Week % change
Hindustan Lever	51438.55	2300.00	-3.58
Infosys	27039.90	8690.00	7.02
Wipro	26547.99	1145.00	-0.08
Reliance Industries	21444.96	223.60	19.02
ITC	18329.79	769.50	7.28
VSNL	14445.70	1657.00	-3.27
SBI	12233.84	232.90	-5.27
MTNL	11643.35	175.00	-0.89
Ranbaxy	11144.49	922.05	-8.01
L&T	10157.56	413.40	-13.87

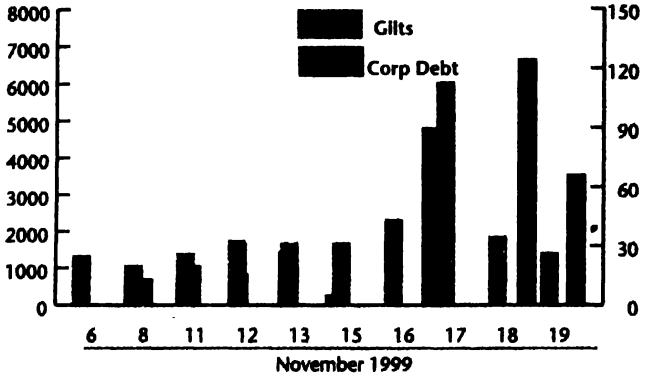
Source: India Index Services and Products

Debt

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14,91 & 364 day T-bills

Corporate debt include debentures, PSU bonds, commercial paper (CPs) and certificates of deposits (CDs)

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	8.16	8.72	Inspite of bank holidays call remained low
Treasury Bills[2]	7.58/9.36/10.22	8.11/9.36/10.25	Lower call rates resulted in lowering 14D TB yields
Bonds (AAA)[3]	11.75-12.16	12.25-12.75	ICICI safety bonds came to the market
Debentures (AAA)[4]	13.20-13.50	12.50-13.25	Lower issuance and lower investor interest
ICDs[5] (Grade A)	11.00-13.50	11.00-13.50	Activity was subdued
CPs[6] (P1+)	10.00-10.30	10.00-11.25	CP rates moved in tandem with TB rates
PLRs[7]	12.00	12.00	Talk of lowering of rates by FM

1.Call money is fortnightly average rate, 2: Treasury bills (TBs) are cut-off yields on 14 day TBs, 91day TBs and 364 day TBs at auctions; 3:Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5:Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market; 6: Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* Oct 23-Nov 5 # Oct 8-22

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
MRPL	NCD	100	2002	LA+	15.75
NALCO	NCDs	100	2005	LAAA	13.67

* based on data provided by NSE

Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
TIDCO	-	Bonds/ 12.90	300+200	7
PSIDC	-	Bonds/ 11.40	50	2

Snapshot

Debt market sentiment remained positive inspite of bank holidays on account of the festive season because of easy liquidity. The cut in CRR was followed by comments from the Finance Minister about lowering of interest rates so as to give a boost to the reviving economy. The rally in gilt prices continued this fortnight also. The effect was more pronounced at the short end of the curve. 14D TB rates dipped by 43 bps on account of lower call rates. Call rates remained low because of easy short-term liquidity. Secondary volumes remained good. We expect liquidity to remain easy in the coming fortnight. Call rates should hover in the same range. TB cut-off yields may dip further.

Source: SBICAP; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.

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Business India-Credence: Mutual Fund Performance

Balanced Schemes

If Rs 10,000 was invested in each of these schemes on 12th November 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Price based Rs	% change	Risk grade	Issue date	Redemption date
TOP 10									
1	Alliance 95 Fund (Growth)	Alliance Capital MF	21659	116.59	21114	111.14	III	25-Jan-1995	Open-Ended
2	Alliance 95 Fund (Div)	Alliance Capital MF	21658	116.58	21087	110.87	I	25-Jan-1995	Open-Ended
3	Magnum Open-End Fund '95	SBI MF	19176	91.76	18751	87.51	I	30-Sep-1995	Open-Ended
4	Zurich India Prudence (Gr)	Zurich India MF	18663	86.63	NA	NA	II	29-Jan-1994	Open-Ended
5	Zurich India Prudence (Div)	Zurich India MF	18371	83.71	NA	NA	I	29-Jan-1994	Open-Ended
6	Unit Scheme 1995	UTI	15025	50.25	14817	48.17	II	01-Jan-1995	Open-Ended
7	Candouble	Canbank MF	14696	46.96	NA	NA	IV	17-Feb-1990	15-Feb-2000
8	MIP 94 (III) (Cum)	UTI	14346	43.46	NA	NA	I	01-Dec-1994	31-Dec-1999
9	Tata Twin Option (Balanced)	Tata MF	14216	42.16	14201	42.01	I	06-May-1998	Open-Ended
10	Canstock	Canbank MF	14050	40.50	NA	NA	V	21-Jan-1988	31-Jan-2000
BOTTOM 10									
29	Dhanasahayog A (Inc)	LIC MF	11489	14.89	11362	13.62	III	01-Jan-1991	Open-Ended
30	Dhanavarsha (7) (Cum)	LIC MF	11445	14.45	NA	NA	I	22-Jan-1996	31-Mar-2002
31	Dhanavarsha (12) (Cum)	LIC MF	11402	14.02	NA	NA	I	15-May-1998	31-May-2003
32	Dhanavarsha (8) (Cum)	LIC MF	11350	13.50	NA	NA	I	14-Sep-1996	30-Sep-2001
33	Dhanavarsha (11) (Cum)	LIC MF	11205	12.05	NA	NA	I	20-Feb-1998	28-Feb-2003
34	GIC Balanced Fund	GIC MF	11149	11.49	10701	7.01	II	23-Jan-1993	31-Mar-2000
35	Dhanavarsha (2) (Cum)	LIC MF	11095	10.95	NA	NA	I	01-Jul-1996	01-Jul-2001
36	Dhanasahayog C (Gr)	LIC MF	10940	9.40	10843	8.43	III	01-Jan-1991	Open-Ended
37	IISFIUS '95	UTI	10927	9.27	NA	NA	I	21-Aug-1995	31-Aug-2000
38	GIC RISE91A (Gr)	GIC MF	10333	3.33	12285	22.85	V	30-Mar-1991	31-Mar-2001
	Median Return-Peer Group		12693	26.93	12067	20.67			
	S&P CNX 500 & I-Sec I-Bex Total Retur(60:40)			34.68					
	BSE Sensex & I-Sec I-Bex Total Retur(60:40)			44.76					
	BSE Natex & I-Sec I-Bex Total Retur(60:40)			41.46					

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all short-listed schemes.

COMMENTS

Overall, the shortlisted Balanced schemes have under-performed the benchmark, the composite benchmark of S&P CNX-500 & I-Sec Bond Total Return Index. The annual median return of these balanced schemes has appreciated by 26.93 per cent verses 34.68 per cent in the composite index. Among the shortlisted schemes only 7 schemes have outperformed all the three indices.

Volatility in the markets continues, as players are unsure about the trend in FII activity. The present rally has been narrow, as BSE Sensex has outperformed the S&P CNX 500. There has been a selective interest in the infotech sector led by the improvement in the ADR price of the domestic companies listed on the NASDAQ.

The investment performance however is not uniform across the schemes, with top 5 schemes generating an annual return more than positive 70 per cent, while the bottom 5 schemes appreciated by less than 12 per cent.

In comparison with the last mututal fund ranking (as on 1st October 1999) on Balanced schemes, MIP (III) (Cumulative) from UTI and Tata Twin Option (Balance) from Tata MF have been added to the top 10 rank while KP Vista (Dividend and Growth option) from Kothari Pioneer MF has dropped out of the list.

NOVEMBER 1999
A special section offering fresh perspectives on global issues prepared for Business India

THE WORLDPAPER
PRINTED IN SIX LANGUAGES ON FIVE CONTINENTS

Big human price for boycotting Iraq

Economic sanctions rarely effective, never humane

▶ The weapon of first resort for the international community - and many an individual country - against an adversarial or rogue state is the application of economic sanctions. But cutting off trade and aid for political purpose usually doesn't work very well. Applying an economic tourniquet for noneconomic effect can have the unintended effect of strengthening the leadership and hurting the citizenry of the country being sanctioned

By Osama El-Sherif

REPORTING FROM

WHEN THE IRAQI equestrian team decided to compete in the 9th Pan Arab Games, the Arab world's Olympics, other Arab participants balked. It was not politics that was the issue, but health. Teams from Saudi Arabia, Qatar, Oman and elsewhere feared that the poorly cared for Iraqi horses would pass on diseases to their prime thoroughbreds. The organizers insisted that unless the Iraqis provide health certificates issued by international bodies, their horses would not be allowed into Jordan where the games were to take place. The Iraqi team had no choice but to leave their horses behind.

The incident, minor as it may be, reminded those involved of how comprehensive are the effects of the 10-year-old UN sanctions against Iraq.

Iraq, once the leading Arab country in Olympic sports, fared poorly in the games. But its mere participation was a symbolic victory. (Kuwait boycotted the tournament in protest.) It was one of the few occasions in almost a decade that the beleaguered country of 22 million appeared to be breaking out of its isolation.

Yet it was hardly reassuring for ordinary Iraqis. One glance at the latest UNICEF report on Iraq paints a clear picture of the humanitarian catastrophe now taking place in this once affluent country.

The report's findings are damning. It concludes that the infant mortality rate in Iraq has more than doubled in the last ten years, showing an increase of over half million deaths between 1991 and 1998. An earlier report by the same UN body estimated that 32 percent of children under five--some 960,000 children—are chronically malnourished. That's a 72 percent rise since 1991.

UNICEF and other UN bodies have warned of the slow but consistent degradation of human life and social and economic services in Iraq since sanctions were first imposed. Outgoing coordinator of the UN humanitarian program in Iraq, Denis Halliday, condemned the policy of sanctions as a "totally bankrupt concept." Halliday, who resigned last September to protest the harm sanctions have caused the Iraqi people, confirmed UN reports that sanctions are behind the death of up to 5,000 Iraqi children every month.

Today, only Washington, London and Kuwait support the continuation of economic sanctions in the face of daily condemnation from other countries and international organizations.

The governments in these three capitals share the objective of removing Iraqi President Saddam Hussein. Led by the United States, this goal has become the cornerstone of Washington's foreign policy toward Iraq and its national security interests in the Gulf region.

Opponents of the sanctions have plenty of well-founded arguments to present -not least that sanctions have done nothing to weaken Saddam's army or loosen his grip on power. He continues to wield enough influence over most of Iraq and has succeeded in squashing attempts at insurrection.

The only victims of the siege have been ordinary Iraqis, most of whom vent their anger and frustration at the US and its allies, who they see as the only cause of their suffering.

In the case of Iraq, it is now evident that UN-imposed sanctions have lost

▶ IRAQI SANCTIONS NEXT PAGE

SANCTIONS

Continued from page one

their moral, legal and political grounds. So why do they continue?

The answer to this question is simple and infuriating. The United States maintains the sanctions because it finds itself locked in a state of war against Saddam Hussein. It wants him removed at any price: and in this case it is the Iraqi people who are paying.

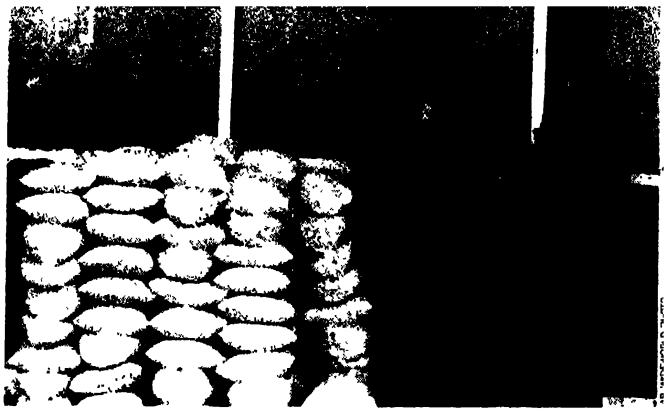
But the sanctions lack world support, and in the eyes of many they reflect America's "arrogance of power" as they become the hallmark of its foreign policy in a unipolar world. US State Department figures show that the US has applied sanctions for foreign policy purposes 115 times since World War I, including 61 times since 1993.

The irony is that sanctions, as a weapon, have a dismal track record when it comes to serving foreign policy objectives. According to a 1997 study by the Institute of International Economics, unilateral US sanctions achieved foreign policy objectives only 13 percent of the time since 1970.

According to the Congressional Research Service, by the end of 1997 there were 191 different forms of sanctions being imposed by the US against no fewer than 50 countries comprising 42 percent of the world's population.

Ironically, the most poignant case against the use of sanctions by the United States, or any other country for that matter, is Iraq itself. As Saddam continues to call the shots in Baghdad and the deadlock over the presence of weapons inspectors lingers, the U.S. does not appear to be making much headway in the fulfillment of its objectives.

The catastrophic repercussions of the comprehensive embargo against that country, which endures daily aerial bombardment as well, will be felt for decades to come.



Imported rice is available—for a price—on the streets of Baghdad.

A whole generation of young Iraqis have been born under horrific social, economic and political conditions. One cannot begin to imagine the colossal task of rebuilding Iraq's civil, political and economic infrastructure that lies ahead once the sanctions are lifted.

But that day does not seem to be nearer now than it was five years ago. There is no indication that the United States is even considering easing or abolishing the system of collective punishment that it has enforced until the fate of Saddam Hussein has been decided.

British and U.S. fighters, lacking a clear UN mandate, continue to bombard Iraqi positions in the northern and southern no-fly zones.

Meanwhile, the oil-for-food deal the UN has reached with the Iraqi government has done little to offset the social impact of the sanctions on the majority of the Iraqi people. Even UN experts agree that while the oil-for-food program has kept the numbers of death and cases of malnutrition from rising, it was never intended to remedy the situation.

In the eyes of US policy makers, containment, as opposed to engagement, of the Iraqi regime remains the only viable approach to the crisis, and in the absence of a plan to invade that country to forcibly remove the Iraqi leadership, sanctions are the only option.

Such approach is not only feeble but wrong. One forgets that Iraq had undergone massive destruction of its civilian, as well as military, infrastructure during the 1991 Gulf War. That alone has put Iraq, once one of the leading developing countries, back at least 20 years. The sanctions have prevented Iraq from rebuilding its infrastructure at a time when it needed international aid to do so.

One cannot claim that because sanctions may have worked in South Africa, Libya or elsewhere, that they should work in Iraq. That assumption is both ludicrous and criminal. The people of South Africa were never subjected to a large-scale military campaign that destroyed its civil and military infrastructure. They never had to be put on a semi-starvation diet, as the Iraqi people have been, for almost a decade. Cubans never saw their infant mortality rate double or even triple, as is the case today in Iraq.

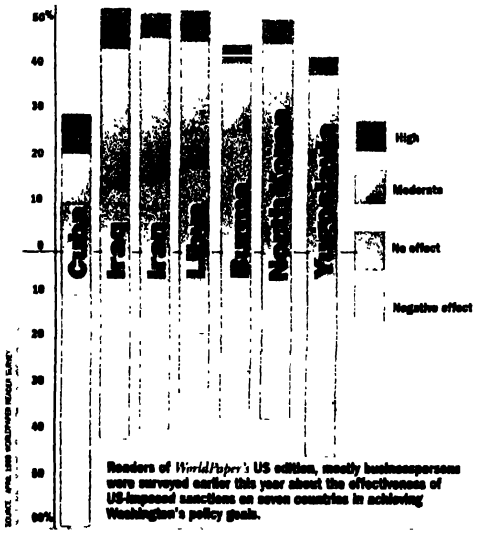
Iraq estimates at least one million of its people have died as a direct result of the sanctions. Even if this figure was smaller, what logic could justify these deaths in the name of the UN whose charter and conventions call for the preservation of human rights and the protection of the rights of children?

What the Gulf crisis and the Iraqi issue have underlined is the degeneration of the United Nations as a world body reflecting and imposing international will and objectives. It is obvious that in the case of Iraq at least, the UN imposed sanctions have gone too far and lasted for too long.

US power has corrupted the basic concepts of that international body and uncovered the system of sanctions for what it really is. The death of thousands of Iraqi children each month should underline these sad facts.

OSAMA EL-SHERIF IS *The WorldPaper's* MIDDLE EAST ASSOCIATE EDITOR

A hung jury on US sanctions



Readers of *WorldPaper's* US edition, mostly businesspersons were surveyed earlier this year about the effectiveness of US-imposed sanctions on seven countries in achieving Washington's policy goals.

anctions stirred South Africa, not Savimbi's Angola

Moral outrage makes the difference

By John Battersby

REPORTING FROM JOHANNESBURG

IN SOUTH AFRICA, sanctions became a pivotal instrument of international moral pressure to end minority rule. In Angola, there has been no comparable moral outrage against Unita's military scuttling of the UN peace initiative, and economic sanctions alone have shown no sign of squeezing a submission from Angola's rebel leader Jonas Savimbi

Savimbi commands a formidable army, has a major source of revenue through the sale of diamonds, and appears to have no difficulty in acquiring arms and gasoline through clandestine supply routes. He has demonstrated time and again over the past 25 years or so to be almost impervious to the sting of international opinion.

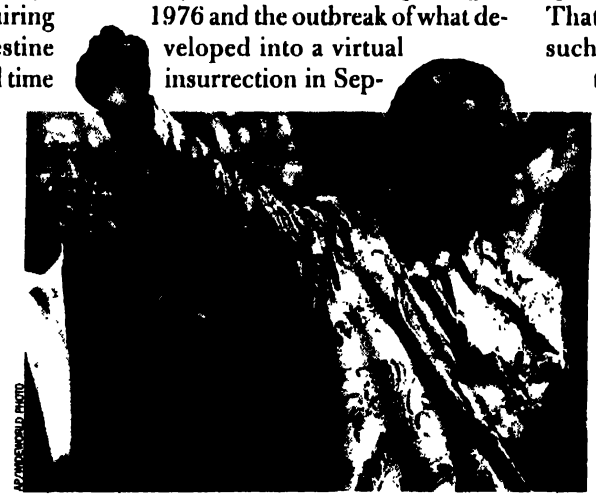
In South Africa, sanctions worked not because they brought the South African economy to its knees but because they symbolized a powerful international coalition of forces that were committed to ending the apartheid system. Sanctions would not have worked in speeding the end of apartheid had it not been for the strength of internal resistance from anti-apartheid leaders, and the international anti-apartheid campaign driven and sustained by the African National Congress (ANC) in exile.

The combination of these forces—and the almost total international consensus on the moral repugnance of apartheid—made for a potent cocktail that, in the end, South Africa's white minority leaders could not resist.

Another vital factor in the success of sanctions was Pretoria's vulnerability to diplomatic, political and cultural isolation, particularly by its major trading partners, which included Britain and the United States.

During the apartheid years, South Africa's major strategy in international diplomacy was to present itself as a bulwark against communism and, as such, a natural ally to the West.

The international anti-apartheid campaign became a force to be reckoned with only after the Soweto uprising in 1976 and the outbreak of what developed into a virtual insurrection in September 1984. Soweto provided the impetus for the UN arms embargo in 1977 and sparked a campaign of isolating apartheid South Africa in the field of sport, culture, academic exchanges, the arts, trade, and financial transactions and investment.



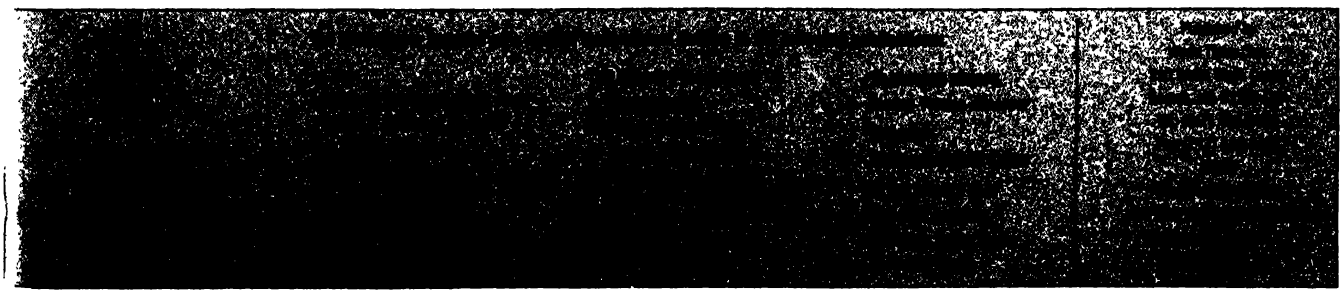
The turning point in South Africa's futile battle against international pressure was the adoption in 1986 of the Comprehensive Anti-Apartheid Act (CAAA) in the United States. The significance of the CAAA was that it was adopted by Congress against the wishes of the White House, following an almost unprecedented grassroots divestment campaign.

The US package of selective sanctions was more symbolic than crippling in nature, yet it sent a powerful signal to Pretoria and the whole world that apartheid had to go.

The Commonwealth—a club of former British colonies that included Britain—eventually followed suit despite strong resistance from Margaret Thatcher. Eventually even countries such as Israel and Japan, which had tried to keep out of the fray, were persuaded to adopt measures similar to the CAAA.

Those opposed to sanctions argued that they would increase unemployment and hardship amongst the very people they were supposed to be helping—the black majority—and leave the white rulers relatively unscathed. But matched against the moral reprehensibility of apartheid, these arguments looked shaky at the time and even more so with the wisdom of hindsight. This consensus was bolstered by a growing acceptance that the ANC's "armed struggle" against apartheid--ineffective as it was—was no longer a reason to keep the ANC at arms length. By the late 1980s, the top political officials and bankers of South Africa's major trading partners were lining up to meet ANC leaders. For Pretoria, the game was up.

► **MORAL OUTRAGE** INSIDE



Winning the NATO war only to lose the ultimate battle?

Stranglehold sanctions on Serbia squeeze middle class more than Milosevic

By Randolph Ryan

REPORTING FROM BELGRADE

EVER SINCE YUGOSLAV Army tanks first fired in anger in Slovenia and Croatia in early summer 1991, the government of Slobodan Milosevic became the leader in the pack of pariah nations. Month in and month out, no other regime approached the Federal Republic of Yugoslavia in generating more crises and causes for embarrassment for the most powerful nations of the West. No regime more frustrated Western diplomats by clinging so doggedly to a disruptive national course of action that NATO had publicly committed to change.

Milosevic's policies— fomenting bellicose nationalism, orchestrating an internecine war, engineering massive ethnic expulsions with grave violations of human rights posed an undeniable threat to European interests, primarily because of a flood of Balkan refugees and the economic chaos they generated.

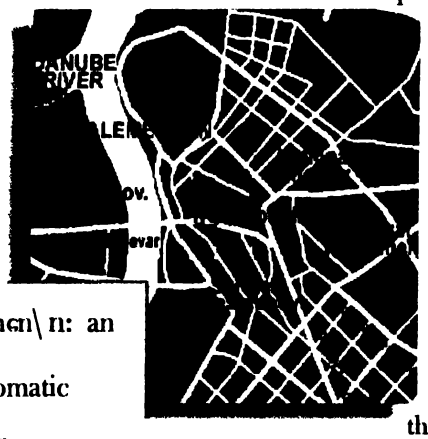
Along with a reluctant peacekeeping effort, the West and the United Nations responded in May 1992 with a sustained campaign of economic and diplomatic warfare against Yugoslavia, including imposing trade embargoes, freezing assets, cutting travel and communication, breaking athletic, cultural and professional ties, downgrading diplomatic contacts, and even expelling Yugoslavia from international agencies.

Sanctions against Yugoslavia were imposed, elaborated, fine tuned and stiffened. Occasionally they were briefly relaxed, but in 1998, as Milosevic forced his counterinsurgency against the Albanian independence movement in Kosovo, they were reapplied.

The results were so meager that in May, NATO uncaged its saber-toothed tiger: a 77-day bombing campaign. The air war, coupled with Milosevic's vengeful vow to increase ethnic cleansing, produced probably another 8,000 dead and a million refugees, as well as vast economic damage to Kosovo and Serbia. It also produced the mother of all nightmares for NATO planners: an entanglement in the South Balkans that may last for decades.

In this era of post-heroic foreign policy, economic sanctions and other forms of international ostracism are now a mainstay of Western pressure against Yugoslavia. Fearing the political costs of military engagement in the Balkans, Western policymakers think of sanctions as risk-free coercion.

Sanctions are a booming message of international disapproval. They cost relatively little to impose, except for the expense to neighboring nations because of trade restraints. More crucial to Western leaders, always wobbling toward a new election, sanctions involve none of the chief dangers of peacekeeping, namely, the risk of body bags, hometown funerals and media criticism. Sanctions look hard-nosed when justified to constituents and to the media.



sanction \san(k)-shen\ n: an economic and diplomatic measure or series of measures forcing a nation violating international law into compliance or conformity

The essence of sanctions is an attempt to bring about policy change in a delinquent state through collective ostracism and humiliation. Both the government and its citizens become isolated and shunned, like children sent to their rooms. There the bad guys are supposed to skulk for a while, reconsider their troublesome behavior and mend their ways. After they have cooled their heels, they creep meekly to resume their place at the international table.

The Yugoslav case, among some others, suggests that even when miscreant regimes cave in to demands of the powerful, their people may remain locked out in the cold. Milosevic eventually did "cry uncle" in Kosovo. He grudgingly accepted the peace that was imposed on him, bowed to all NATO demands, pulled Serbian troops out of Kosovo and allowed a NATO occupation that will effectively lead to either an independent Kosovo, an Albanian takeover or a very long-term Western protectorate and nation-building effort. Since the European sanctions that had been renewed in spring 1998 had been aimed at achieving this result, one might assume that rump Yugoslavia would by now have been allowed to begin rebuilding its international connections.

Not so.

"These sanctions have now assumed the form not of reform but of plain punishment," says Ljiljana Smajlovic, an outspoken member of Belgrade's outgunned opposition media, which has struggled against steep odds to bring democratic values and professional standards to the FRY media scene. "The international message now is 'No matter that you quit Kosovo. Now we are not going to allow your national carrier to fly because you're not democratic.' And that's ridiculous."

The essence of sanctions policy lies not in a cluster of large-bore economic

▶ SANCTIONS SQUEEZE NEXT PAGE

ANCTIONS SQUEEZE

ntinued

easures such as trade embargoes and e blocking of credits whose collective purpose is to "make the economy scream." The more fundamental aspect the ostrich-like faith that locking a ource of trouble out in the cold—be it a enaged hood or a hoodlum regime—ill lessen its capacity to cause trouble.

Those who understand the Balkans know that the reasons for this troubled egime have deep historical roots. The 90s wars were not inevitable—the West could have curtailed them at an early stage—but their cruel logic, for which Milosevic is largely but not exclusively to blame, comes from nationalistic fears and grudges that flourish when the Balkans are kept in isolation.

It may be safe to condemn a pip-squeak to isolation, but it is not safe to isolate the core of an unstable region—whether it be a powerful nation like Weimar Germany, or a third-rate power like present-day Serbia. Many of the new generation of Balkan hands have concluded that the entire region, Serbia included, must be brought into Europe, bound inextricably to it diplomatically, economically and culturally.

A friend recently wrote a thinkpiece for the UN High Commission for Refugees based in Geneva. Having first experienced the Balkans as a refugee official coping with the aftermath of Serb atrocities in Srebrenica in 1995, and having been a key player in implementing UNHCR's response to the unprecedented refugee crisis in Kosovo, he favors Bosnian Muslims and Kosovar Albanians. Still, he wrote that Europe should open its doors and bring in all the Balkan people, including the Serbs. Get them into Europe with commerce, bank loans, open borders, student exchanges, every trick in the book, and keep them there. For God's sake, don't commit the folly of thinking you can make Europe more secure by holding Serbia in solitary confinement.

Winners and losers

There are many interesting questions about the effects of sanctions. Who are the winners and losers? How is daily life affected? The losers in an outcast state like Serbia are clearly the middle class, while the winners are the regime's insiders. Because of sanctions, leaders like Milosevic are better able to control the people and keep them isolated, fearful and inward-turning. Sanctions aid the regime by denying the people the sunlight and oxygen of democratic ideas and international cultures and economies.

Leaders of pariah countries shift blame from themselves, persuading the people to circle the wagons against the hostile and vindictive world. Today the Milosevic government blames all economic problems on "unjust and unprovoked" sanctions and on "NATO aggression." One effect of sanctions policy has been to blur the overwhelming responsibility of Milosevic for ruining his own country.

The second way that the regime wins, big-time, is that sanctions, which block legal trade, create an enormously lucrative opportunity for illegal trade, especially in necessities like fuel. Just as the prohibition

▶ SANCTIONS SQUEEZE NEXT PAGE

MORAL OUTRAGE

Continued

In Angola, however, Savimbi is not defending an ideological system which has incurred the wrath of the world, so there is not the same degree of international moral outrage to forge a united front on sanctions.

While it is true that Savimbi has been declared a war criminal by the Organization of Africa Unity (OAU), the fact is that Unita representatives still sit in parliament in Luanda and debate issues with the ruling Popular Movement for the Liberation of Angola (MPLA).

Moral pressure has also not mounted against Savimbi because the MPLA has never occupied the moral high ground in the way that the ANC did. At best, a partly reformed Marxist-Leninist party, the MPLA has historically been riven with factionalism and corruption.

While analysts say neither the MPLA nor Unita is capable of a military victory there is consensus that Unita has the ability to maintain the current stalemate—in which it controls about half of the country—indefinitely.

Savimbi has demonstrated with over 25 years of experience in bush war that he is impervious to international opinion or sanction. He successfully ignored the UN sanctions imposed against his movement in 1993.

His movement has also shown incredible resourcefulness in maintaining control of Angola's rich diamond areas, capturing arms abandoned by successive failed conquerors—the Russians, Cubans, South Africans and MPLA—and maintaining ever more circuitous supply routes for its fuel and arms.

The UN Security Council's sanctions plan appear to have little chance of success.

Robert Fowler, Canada's UN ambassador and head of the UN committee tasked with giving the 1993 UN sanctions against Unita teeth, appears to be focusing on denying Savimbi diamond revenues which Fowler estimates topped $3-4 billion in the past eight years.

This strategy first assumes that diamond sales can be monitored and controlled, which is highly dubious given the nature of the diamond industry and the legendary methods used by the Central Selling Organization (CSO) —an instrument of the South African-based De Beers—in maintaining its monopoly. Second, it assumes that denying Unita its diamond revenues would, in turn, deny its fuel and arms supplies.

Past history suggests this is far from the case. On the contrary, Unita has managed to acquire ever larger and more modern weaponry via Kampala, the Ugandan capital, and Zambia.

Savimbi's Achilles heel is his fuel supplies. Ironically, the only nation with the power to disrupt these supplies is the one that once sustained Savimbi and was his main military supplier: the United States. That would require an act of extraordinary political will, given the dubious nature of the MPLA regime in Angola, which perpetuates the myth that it can win a military victory over Unita while at the same time seeking to drag its allies in the Southern African Development Committee (SADC) —Angola, Zimbabwe and Namibia to name a few—into its unwinnable war.

JOHN BATTERSBY IS EDITOR OF *The Sunday Independent* IN JOHANNESBURG

SANCTIONS SQUEEZE

Continued

of alcohol created pirate millionaires in the US in the '20s and '30s, the prohibition of legal commerce has put most of the wealth in Yugoslavia in the hands of Milosevic's cronies. In return for loyalty to the regime, they are given exclusive access to opportunities for currency manipulation, smuggling, black-market operations and trade monopolies. While almost half the population of Serbia has slipped below the poverty level, five or six percent have grown enormously rich.

Per capita income in Yugoslavia, which was $3200 in 1989 and $1200 in 1994, at the peak of hyperinflation, is projected to be $950 in 1999, or $80 a month. Ordinary people are impoverished and deadened by the economic stress. Their accumulated wealth has slipped away, along with their faith in the future and, more importantly, their ability and will to resist. It is all they can do to cope with the business of daily survival—finding gas, medicine, even food and clothing for their children. They have less and less energy available for opposition politics.

Along with the ordinary people, the losers include Serbia's intellectual and professional elite, about 200,000 of whom have scattered abroad. Together, these cultural leaders and educated young people had been the hope for the future of Yugoslavia.

Only in the past few months have Western policymakers discovered forms of sanctions that, in democratic opposition circles here in Belgrade, have long been accepted as potentially good ones. These are highly targeted sanctions focused like a laser on Milosevic and his inner circle. In fall 1998, after Milosevic imposed an Orwellian information law to crush the professional media that had opposed him, visas were denied for the first time to the key members of his government. Then last June, toward the end of the air bombardment, the European Union placed a ban on visas for 300 notables, including the entire government and many family members and businessmen who have profited as part of the pro-government mafia.

regime. The entire economy has been made into a black market

One target that would have undoubtedly been wildly popular in Serbia had it been hit early in the bombing campaign is the construction site of Bambiland, an amusement park owned by Milosevic's widely scorned playboy son, Marko. Although not a military target, to be sure, Bambiland was a logical target. More than any other piece of property in Serbia, it was associated with the let-them-eat-cake attitude of the pro-Milosevic profiteers. A nighttime hit on the half-finished, empty site would have caused no casualties and would have carried a crystal-clear message: This is not between NATO and the Yugoslav people. This is between NATO and THEM.

"I can understand personal sanctions, but I can't understand collective punishment," says Srdjan Bogosavljevic, a statistician whose marketing firm was used by cigarette makers and other companies before launching campaigns in the Yugoslav market. "Let NATO target sanctions on 300, or 3000 or 300,000 if they want, but it makes no sense to attack everybody." Poverty has increased tremendously, and the effect of sanctions has been to make it impossible to recover."

Filip David, a screenwriter and founder of an independent writers' group, echoes that thought. "I am not against sanctions aimed at people at the top, but to make all people feel in the ghetto is only to support the regime. The entire economy has been made into a black market, and in the black market the people around Milosevic swim like a fish in water."

If the sanctions mechanism of broad-brush economic and cultural ostracism exhausts and demoralizes the Yugoslav population, enriches and strengthens the government mafia and thus fortifies the Milosevic regime, why have Western policymakers continued to soldier on?

Perhaps the answer is that to change course would be to admit a serious and sustained error in judgment. When sanctions were adopted, they were sold to the West as tougher than compromises, cheaper than peacekeeping missions, and far better than body bags.

A Western policymaker proposing to drop the sanctions with, as poet Robert Frost once wrote, "nothing done to evil, no important victories won," might be seen by some editorial writer somewhere as irresolute and wobbly. Who knows, a moralistic columnist or talk-show targeteer might call it appeasement.

Perhaps that's why sanctions seem once again to resemble a diplomatic doomsday machine that, once turned on, can't be turned off. ◐

RANDOLPH RYAN IS A FREE-LANCE JOURNALIST BASED IN YUGOSLAVIA.

YOKING YUGOSLAVIA

- **September 1991**—UN Security Council Resolution 713 imposes ban on arms imports to all six republics of the former Yugoslavia.
- **May 1992**—UN Security Council Resolution 757 defines FRY as aggressor in Croatia and Bosnia, blocks trade and money flows.
- **October 1994**—Some scientific, cultural and sports bans are lifted after Milosevic agrees to block trade across the Drina River to the Bosnian Serb regime in Pale.
- **December 1995**—Security Council sanctions are suspended after Milosevic signs the Dayton Peace Treaty, ending the war in Bosnia.
- **September 1996**—Security Council measures are removed after the postwar Bosnian elections.
- **June 1998**—European Union renews sanctions against trade, money flow and flights as Milosevic begins counterinsurgency against guerrilla rebels in the Kosovo hills.
- **Today**—FRY forces have withdrawn from Kosovo but EU and US sanctions remain in place.

Thames Water, the UK's biggest water company, has joined a host of European utilities groups making acquisitions in the US. Thames Water recently announced an agreed bid worth £574.6 million for the fourth-largest quoted US water company. The £367.9-million bid is for E'Town and includes taking on £206.7 million of the company's debt. The New Jersey-based company supplies water services to one million customers. The offer has come at a point when big UK water price cuts are to due to be announced. The reductions are to reduce domestic earnings of UK water companies from April next year. The acquisition is an obvious bid by Thames Water to expand its international business and offset the decline in its domestic earnings. It would treble the British group's annual US



turnover to about £150 million. In March last year Vivendi, the French utilities and communications group, bought US Filter, the largest US water and waste water treatment company, for $6.2billion.

• Coca-Cola was back in favour last week when a Merrill Lynch analyst selected the company as a top stock pick for next year. The verdict on Coke owes to a prediction that global volumes are to improve and therefore subsequent price increases should raise profits. According to the beverage analyst, worldwide volumes, which are currently up 2.5 per



cent in the third quarter, can return to 7–8 per cent growth the company has managed to achieve in the past. Further predictions are that worldwide growth is to come from recovering emerging markets like Mexico, Japan, and Germany, all of which are Coke's biggest markets outside the US. 1999 has been a worrying year for Coke as the company has been one of the worst performing stocks in the Dow Jones Industrial Average this year. Coke's shares rose more than 7 per cent after the news, cheering worried investors concerned about the slump in overseas demand.

• Excite@Home, a leading provider of Internet services via cable-TV connections, has disclosed plans to split online content from its Net access division. President George Bell has outlined plans to issue a tracking stock for its content business by August 2000. The next step of its strategy is to examine ways to open up cable-TV connections to competing Internet service providers. Excite already supplies Internet services to many of the largest cable-TV companies in the US including AT&T, Cox, Cablevision, and Comcast, and has been under considerable pressure to allow other companies the technology to offer Internet services through cable TV. The establishment of a tracking stock will ensure that Excite will be in a better position to address the needs of other cable-TV companies. Excite@Home was formed by the $7.5billion merger of @Home, which focused on Internet access via cable TV, with Excite, an Internet portal.

• Technology major Cisco Systems is awaiting a green light from US regulators for its plans to buy part of KPMG. Cisco is prepared to pay $1 billion for a share in the global accountancy firm. The US Securities and Exchange Commission (SEC) has stalled the plans owing to a what it terms 'potential conflict of interests between KPMG's audit and consultancy work'. The results of the battle between the two are being watched with keen interest by the other Big Five firms, currently restructuring their consultancy businesses under pressure from the SEC. The Big Five include Ernst & Young and PricewaterhouseCoopers. Cisco, which announced its investment plans in August, has said the SEC was all set to withdraw its objections to KPMG's plan to offer equity to outside companies. Global accountancy firms have of





late come under considerable pressure as companies like IBM offer an increasing number of consultancy services. The pressure is then to either make major acquisitions or alliances and joint ventures with technology businesses.

• Japanese carmaker Nissan Motor has announced a distressing loss of $3 billion in the last half-year. French carmaker Renault has a 36.8 per cent stake in Nissan. Allaying concerns about the size of the losses, Renault's public relations machinery swung into motion. Renault has issued a statement that assures investors that the losses won't impact on its profitability. Deputy chief financial officer Thierry Moulonguet, seconded from Renault, has emphasised that Nissan will meet its goal of net profits in the year to March 2001. The Nissan Revival Plan announced in October by Renault has been covered by a provision of nearly $310 million. Renault, which has invested $5.04bn in Nissan, said it had unearthed "no new bad surprises" since March.

WORD COUNT

"The Malays are an emotional people."

Former Malaysian deputy premier MUSA HITAM *commenting on his countrymen going to vote in the 29 November elections and the possible fallout among the country's majority Malays from the protracted battle between Malaysian prime minister Mahathir Mohammad and his former deputy Anwar Ibrahim, in* FAR EASTERN ECONOMIC REVIEW

"You can easily see a client looking at the legal firms and saying: 'You know, I really want to use one firm that can deliver service wherever we need it in the world'."

JIM COPELAND, *the new chief executive of Deloitte Touche Tohmatsu, sharing his confidence about his firm's position as one of the Big Five accountancy firms with* THE ECONOMIST

"...we are a warrior nation. We are known throughout the world as a warrior nation. We don't apologise for that — it's a fact."

MANGOSUTHU BUTHELEZI, *South Africa's most powerful politician from the Zulu tribe, about the image that his community has portrayed in the past, in* NEWSWEEK

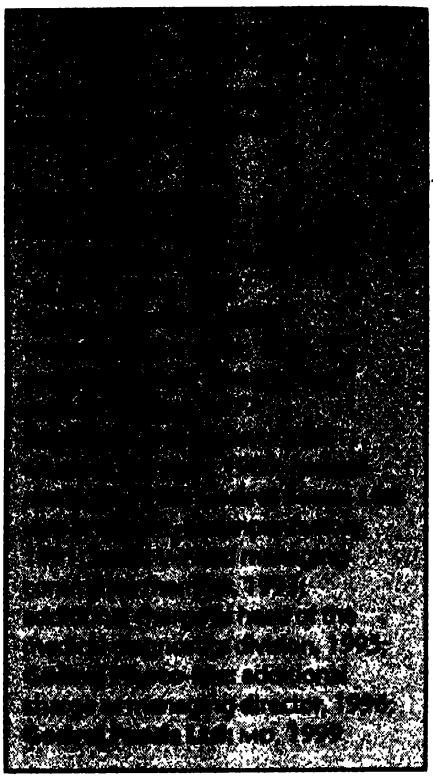
"It's so expensive to have a one-hit record. You really need multiple hits and global success to make it work as a company."

A music chief at a major global record company on RCA *Records sustaining its sudden success rate with its much-needed recent hits, in* BUSINESSWEEK

aithful foodie

SANJAY BORADE





Milk, says Sudhir Awasthi, is the biggest weakness of the Indian psyche. However, those who fail to understand the different meanings it can have for the Indian, have to pay the price. 'Great Shakes' – the soya milk drink pioneered by Noble Soya House in 1986-87 – went belly-up. "It was an excellent product," says Awasthi. "But you can't fool with milk in this country, because of its emotional and religious associations, even male potency!" So when Godrej Foods Ltd (GLF) took over Noble House, the foundation of its current Tetrabrik drinks business, it made no move to relaunch Great Shakes; it concentrated instead on the tried and tested mango-based fruit drinks, and introduced innovations like guava and lichee.

Awasthi, who was heading sister company Godrej Soaps Ltd (GSL) at the time of the takeover, is using his GSL experience to leverage growth in his new job as managing director, by aggressively going into co-packing. "I pack every brand that exists in this country today!" he asserts. "GSL made money manufacturing soaps for Hindustan Lever. If Parle wants me to pack Frooti, why not?" So in the first six months of 1999-2000, GFL has pulped and sold 650 tonnes of mangoes.

Having overseen GFL's first real profit in six years, Awasthi is looking forward to a Rs2-crore pre-tax profit by the end of the year. The Rs450-crore company, which turned an operating loss of Rs9.98 crore in 1997-98 to an operating profit of Rs7.15 crore last year, now hopes to write off its old losses in the current year. Awasthi believes in walking the talk: "I visit the market every month," he says. The fact that he likes travelling, even lists it among his hobbies, is a help; but there is no holiday travel planned till April 2000. "I want to concentrate on this," he says.

'This', currently, is the setting up a speciality distribution wing for GFL products. "Eighty per cent of soft drinks consumption is outside the

ome," Awasthi points out. He is also oncentrating on the Rs300-crore read-and-butter business' of bulk ils. Two-thirds of the refined nflower oil (RSFO) market is in Mumbai, in 15-litre tins – but for some range reason, these are not sold utside the metropolis. Awasthi ow plans to introduce third-party ourcing for outside markets.

Internally, besides improvements in operational efficiency with the help of consulting major Andersen Consulting, he has also embargoed all increments, and slashed overtime with multi-skilling. An achievement he is proud of is that there was no labour problem in the five years he was with GSL – which earlier used to lose a third of every year in agitations. His informal style surely helps: insisting on being called by his first name, he takes the credit for introducing the culture in the Godrej group four years ago. "And I will always listen, though I may not agree!" he adds. Other achievements Awasthi admits to include the setting up of GSL's Malanpur factory, which he says is a model soap plant today. Plus, reengineering and restructuring activities in all the GSL plants to gear them up to face the competition brought in by globalisation and liberalisation, and making them economically viable. All of which won him the New Delhi-based Institute of Economic Studies' Udyog Rattan award in 1997. He was also responsible for the companywide introduction of total quality management (TQM) in GSL and other companies of the group where he has spent his entire working life, and is a member of the Confederation of Indian Industries' TQM technical committee.

When he is not working or travelling, or even when he is, Awasthi reads seven or eight newspapers a day, 15 magazines a month, and books of all description. "I can read four books at a time, and enjoy them all!" he says. His choice of music is equally diverse – he listens to any kind of music, except the "very modern Indian and Punjabi pop songs which I don't understand". And if he has his way, GSL's books will soon be worth reading; and its figures will make good music too.

◆ SEKHAR SESHAN

FRONTRUNNERS

People's man

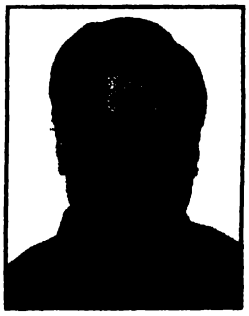


"If I find myself not wanting to go to work for an entire week, I know it's time to look for another job," says Rajiv Kaul, the 31-year-old director of Microsoft Corporation India Pvt Ltd. "But Microsoft doesn't give you even a day to think of it," he adds, looking pleased enough.

Kaul confesses to quitting jobs when he felt he had stopped learning, or when the rate of learning couldn't keep pace with his own thirst for more. Thus, the computer science engineer gave up what his friends considered a "cushy" job at TCS as soon as he realised his "heart wasn't in it" – waiting only till a one-year bond ended. The next destination was XLRI, where he did his MBA. With a specialisation in finance and marketing, Kaul packed his bags and left for Dubai, hoping to gain from an international marketing experience. "But it was a stupid job, everything was too perfectly planned out," he says. Within three months, he was back in India, and spent the next three-and-a-half years at ITC's information systems division.

In 1996, Kaul joined Microsoft India as an account manager, going on to have a "crazy time doing all kinds of roles". In his current role, Kaul gets to combine his passion for marketing and his complete faith in technology ("IT can change the way we live," he swears). And he is determined to convert more people to his line of belief. So, in addition to increasing Microsoft's customer and partner base, Kaul wants to open more windows to the education sector and create a strong base of IT-skilled people. And convincing people shouldn't be difficult for Kaul who calls himself a "natural people's man".

◆ SANGEETA MENON



An easy scoop

Starting operations and handling their expansion comes easily to 35-year-old Pankaj Chowdhury. As the zonal manager (north) for Baskin Robbins ice-cream, Chowdhury has been instrumental in not only getting the ice-cream to the region but has also taken the tally of Baskin Robbins parlours from one (four years ago), to 42. That's about the largest number in any region where Baskin Robbins is distributed. Chowdhury continues to be on overdrive setting up two outlets every month.

"Looking after these parlours is like looking after 42 independent units," says Chowdhury. He's eminently qualified thanks to his earlier eight-year stint at Wimpy's where as manager, operations, he was the point man for setting up outlets across the country. "That was a challenging job because fast food was not a popular concept then," says Chowdhury.

After completing a course in hotel management from the Pusa Institute in Delhi, Chowdhury started his career with the Taj in Mumbai but stayed there only for nine months "because as a true Delhiite I had a problem working in Mumbai". His next stint with Clark Shiraz in Agra was equally short and then followed another 14-month one with Sofitel Surya in Delhi.

But by then, Chowdhury was itching to do something different. Says Chowdhury, "Working in a five-star hotel means you have lesser responsibilities because the back-up is so strong. Retailing is more challenging because here the buck stops with you." Although Chowdhury took up hotel management as a second option – the first was doing a course in engineering – he has no regrets.

◆ PUNAM THAKUR

Musical chairs

Times Entertainment, a division of cash rich media house Bennett, Coleman & Co, flush with the success of Planet M, India's largest music store in Mumbai, is now in the process of hiring a new director. Chief executive Arun Arora is bringing back Chandini Sehgal, formerly with the group's newspaper *The Independent* and subsequently with Times FM, to oversee the Times FM re-entry into FM.

The group, one of three companies to have bid for all 40 cities, is dead keen on blasting its way to the zenith of FM broadcasting in the land. To streamline operations in the 100 personnel-strong Times Entertainment, Sehgal will be made the *de facto* head of the division. She will also personally oversee FM systems. After leaving the Times of India Group, Sehgal had stints as head of MTV India and Pritish Nandy Communications and is presently a freelance consultant. Times Entertainment presently has two general managers – Irshwin Balani and Fawzia Madni and an assistant vice-president, Ravi Bhatnagar, reporting directly to the CEO.

Bhatnagar, who heads Planet M presently, will also have enough on his hands, since the second Planet M comes up in Delhi before the millennium. Planet M in Delhi will be located in the upmarket South Extension locality, spread over 6,000 sq ft and split on three levels. The next Planet M franchise, we hear, is going to be in Shoppers Stop, Mumbai, to rival Groove in Crossroads. Planet M, which is logging in sales of Rs2 lakh daily and Rs4 lakh on the weekends has opened a brand new revenue stream for the Times of India Group.

Woman power

Is it really possible that Hindustan Lever Ltd, the ultimate male bastion, will finally yield to the female of the species? Reportedly, Keki Dadiseth has gone on record to say that he's keen to ensure that a woman finds place on the Lever board before he retires. While Dadiseth's honourable intentions are to be much appreciated, the moot question is who will this power lady be? This question has set off some speculation in corporate circles.



Will this Tata board Lever?

After all, women make up just 8 per cent of HLL's 1,150-strong muster of managers. No less significant is that none of them quite make the cut to the senior ranks yet. The senior-most among Lever's women managers would be on level three of the seven-level hierarchy. A director must necessarily be someone on level five, a requirement that is unlikely to change even when Lever's new management structure comes into place next year.

If you ask us, our bet is placed on a lady who's got an impeccable corporate pedigree and is a veteran to boot: Simone Tata of Lakme. It is believed that Tata shares a good rapport with Dadiseth who, it may be recalled, did a good job of convincing her that Lakme's brands would be in safe hands with Lever when the two companies forged a strategic alliance in late 1995. The Lakme-Lever deal had created ripples at the time since the belief was that Tata would never sell her carefully nurtured baby. But she eventually did, lock, stock, factories and brands last year. Shouldn't be too difficult to sell the grand dame this proposition.

Changing camps

Just six months ago, George Thomas had joined the Reliance group as their point man in Delhi (see *Business India*, 19 April 1999). As we'd reported at the time, Thomas was brought on board from the Mittal group after Reliance's chief lobbyist Balu was dragged into the Romesh Sharma controversy and Tony Jesudasan moved over to *The Observor*. Now we hear that Thomas is leaving. The reason, speculate wags in Delhi, could be the blurred lines of responsibility between Thomas and other Reliance men like Jesudasan. Reportedly, Thomas is going to the Mittal group; no, not his old employer but Mittal as in NRI steel magnate Lakshmi Mittal. The connection: M.R.R. Nair (formerly of Sail) who now works for Mittal overseas is Thomas's old mentor. He is likely to be based in London, the LNM group's headquarters.

Head hunted

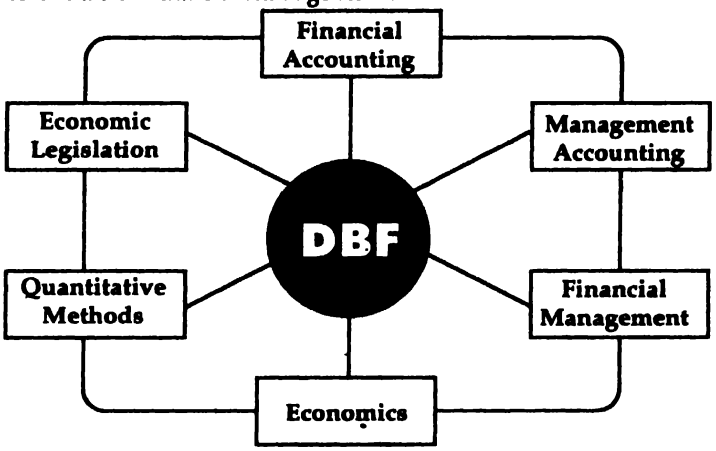
Some time ago we had reported about the departure of Noni Chawla from headhunting firm Korn Ferry India (*Business India* dated 12 July). He was the managing director there. Ever since, the firm has been furiously looking for a replacement. The search is now over. The new man is, curiously, from the world of banking. Deepak Gupta, formerly of Citibank, is already working the phones talking to prospective clients. Gupta, who joined Citi in 1994 as a relationship manager in the corporate banking division worked his way up to unit head. In August, reportedly, Gupta opted for the bank's VRS. As someone who has strong links in the corporate sector, he seems an appropriate choice.

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Requirements

- Degree in Engineering
- 5 years or more experience in a similar job function
- Well versed in Microsoft applications and CAD
- Mechanical or architectural background

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The Administration Manager will be in charge of all financial aspects of the operation including day-to-day accounting, credit control, budgeting. The daily responsibilities will be co-ordinated with overseas group controlling.

Requirements :

- Degree in Commerce
- 5 years or more experience in a similar job function
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The person will be in charge of locating projects, working along with the architect and client on specifying the products and closing the deal. He / she will be budget responsible and should be marketing and service oriented.

Requirements :

- Degree in Business / Marketing
- Experience in project sales
- Well versed in Microsoft applications

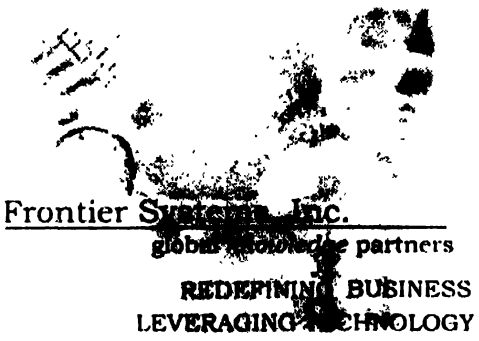
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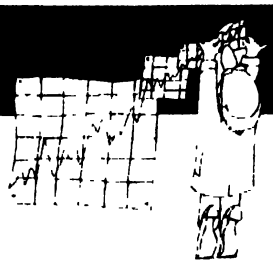
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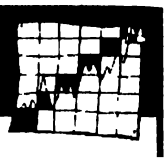
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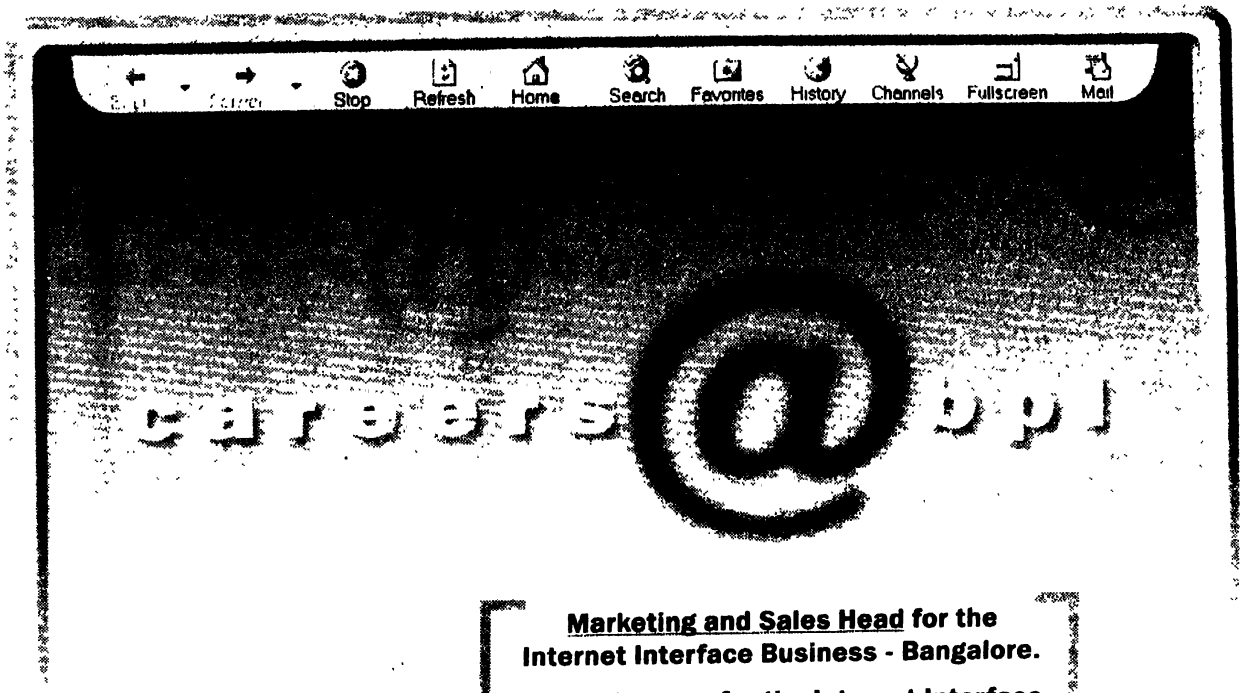


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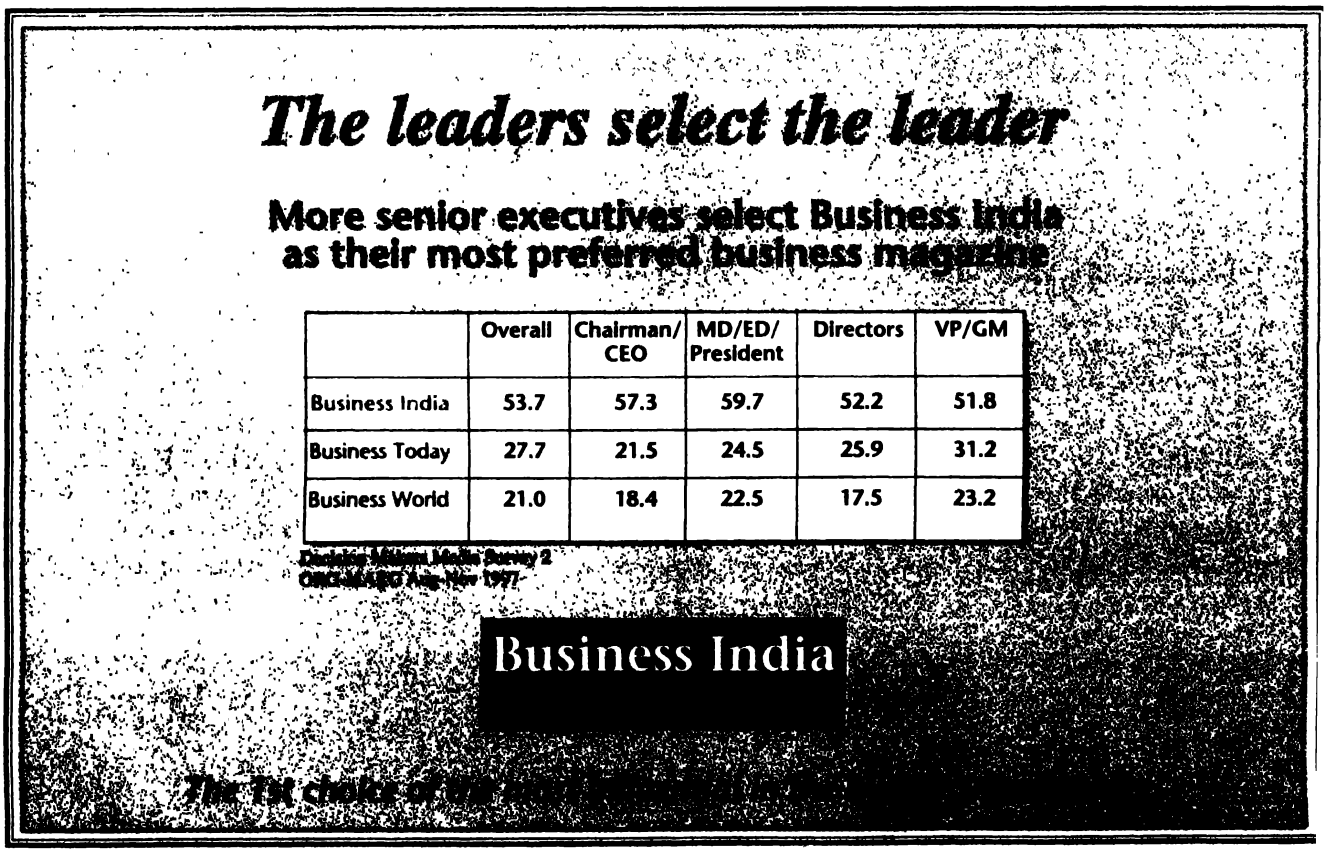
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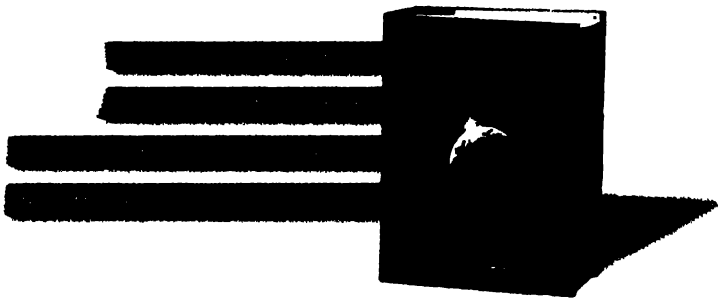
Sample this warning to motorists in Tokyo: "When a passenger of the foot heave in sight, tootle the horn. Trumpet at him melodiously at first, but if he still obstacles your passage, then tootle him with vigour." Or this cheerful announcement put up in all the rooms of a Yugoslavian hotel: "The flattening of underwear with pleasure is the job of the chambermaid. Turn to her straightaway."

This endearingly flawed English shows at one level how mirthful adoption of a language by non-native speakers can be. But at another, more important, level it underscores the astonishing reach of the English language. Of all the world languages English alone can justifiably lay claim to be the global lingua franca. The Oxford University Press sells as many copies of the Oxford English Dictionary in Japan as it does in the US and a third more than in Britain. There are said to be more people learning English in China than the total population of the United States. With 750 million speakers of the English language, and another 750 million currently learning to speak it, English is omnipresent. And that's not all. Nigel Newton, CEO of London-based Bloomsbury Publishing, estimates that by 2050 over 50 per cent of the world's population – that's nearly 4.2 billion people – will have competence in English.

Newton, an American, has lived for 16 years in Britain and he is convinced about one thing: Queen's English is an outmoded and backward-looking concept. It is the official language in almost 50 countries, and yet the dictionaries – whether Oxford or Webster's – scarcely reflect its status as a global language. Newton set about correcting that anomaly by embarking on an ambitious exercise to publish a world dictionary, a reference work that would celebrate the diversity and vigour of the English language. Newton approached Microsoft Corporation with the idea of uniting their expertise to create a new dictionary simultaneously in print and CD-ROM form.



Please choose a website that best represents your geographical area



A 320-strong team of lexicographers, editors, and consultants based in 20 English-speaking countries worked for three years to compile a dictionary to reflect the world status of English. The outcome is *Encarta World English Dictionary*, a superbly illustrated, 2,175-page dictionary with 100,000 headwords. Minor quibbles apart, the dictionary – published in India by Macmillan and priced at a modest Rs925 – is a stunning achievement.

Here is a modern reference work that celebrates what is now commonly called the World Englishes. It shows how English today is a global resource and how it can no longer be said to be a British language, as James Murray defined it in the first Oxford English Dictionary, or the language of America, as Noah Webster defined it. A wide spectrum of words from 'other' Englishes – South Asian, African, Canadian, Australian, Irish, Welsh, Caribbean, and East Asian – make a significant debut in the pages of this dictionary. These especially include names of foods, animals, and religious festivals. Most interestingly, the dictionary offers remarkable insights into some curious phraseology that is used in the 'other' Englishes.

For instance, in Nigerian English, 'to throw water' means to offer a bribe, while 'outdooring' in Ghanaian English means a christening ceremony. In Philippine English the word 'carnap' has been coined through analogy with 'kidnap' to describe the stealing of a car. In South African English, 'no' is affirmative. Ask "How are you?" and the answer would be "No, I'm fine." Australians say 'to farewell someone' when someone is being given a farewell party. The curiosities of pronunciation don't escape the Encarta team's attention either. To some ears, the dictionary's editors aver, an Australian's statement "I'm going there today" sounds like "I'm going there to die." While Americans resolutely pronounce words like ask, grass, and path with the 'a' as in gasoline, the British pronounce the 'a' as in father.

The language gets many evocative words in the Encarta Dictionary. Sample some of these. The Aussies and Kiwis used 'preloved' as an euphemism to describe an article for sale second-hand. 'Daddy track' in America is used to describe the career route taken by a man who works flexitime in order to look after a child. In South Africa, 'toenaderings' connotes a rapprochement between political parties, while in Hong Kong 'yancha' refers to the social practice of going to a teahouse. In Hawaii they say 'wiki-wiki' for something that happens

uickly and in Japan 'zaikai' is the usiness and financial community. Tabanca' is a word in Caribbean nglish dating from the 19th century, hich evokes a state of sadness result- g from unrequited or lost love.

As for Indian English, Encarta cknowledges that it has been the ource of many loan words in world English, among them 'bangle', 'chutney', 'bungalow', 'pundit', and 'shampoo'. But, of course, there are many examples of English words that are turned into compounds and frequently used in India but remain mostly senseless outside India. 'Himalayan blunder' and 'eve-teasing' mean little or nothing outside India. 'Gherao', on the other hand, is finding increasing acceptance even in newspapers outside India. Words like 'guru' are widely understood. Ditto places of worship such as 'mandir' or 'gurdwara' or names of festivals like 'Diwali' and 'Holi'. However, what really stands out is that the names of a host of Indian food items have made it to the world dictionary: 'idli', 'dosa', 'biryani', 'paratha', 'raita', *et al.*

The Encarta Dictionary reflects the fact that English today is changing at a dizzying pace. A thousand-odd words were being added to the language at the turn of the 20th century; now, according to *The New York Times*, the increase is closer to 20,000 words a year. Bill Bryson, in his marvellously entertaining study of the English language *Mother Tongue*, wrote that English has some 200,000 words in common use and, unlike almost all other languages, offers a wealth of synonyms to speakers, enabling them to draw shades of distinction unavailable to non-English speakers.

Part of the fun of leafing through the Encarta is to read the brief, well-written biographical sketches of famous people — not just in the UK or US but all over the world. From Mozart to Salvador Dali and from Eva de Peron to Guy de Maupassant, these thumbnail sketches are rewarding. But it is difficult not to look for the people who have failed to find mention in the dictionary. From an Indian standpoint, it is curious that Arundhati Roy makes it but Vikram Seth does not. Kapil Dev is in but not Sunil Gavaskar. Ravi Shankar is there but none of other greats of Indian classical music — whether Bade Ghulam Ali Khan or Vilayat Khan. Lata Mangeshkar makes it but not Mohammad Rafi. (In fact, the Lata entry is astonishingly inaccurate, suggesting as it does that she provided playback singing voices in Hindi films for more than 30 years before retiring in 1984!)

There are other surprising omissions too. Film directors David Lean and Billy Wilder make it while Howard Hawks and William Wyler do not. There's Meryl Streep but no Greta Garbo. Great conductors Arturo Toscanini, Otto Klemperer, Leonard Bernstein, and Herbert von Karajan are included but not Karl Bohm and Wilhelm Furtwangler. Soloists Padrewski and Horowitz are nowhere to be found, though Yehudi Menuhin and Gerald Moore are there. Ian Botham gets a glowing mention as one of cricket's great all-rounders, but Gary Sobers, the greatest of them all, is ignored. And while Linford Christie finds a place, the one and only Carl Lewis is forgotten.

The influence of the Internet is evident not just in the way cyber technology was used to put together this dictionary by the members of the compilation team but also as a source of language evidence. Words like 'webisode' and 'digizine' make their debut. Conventional English-language words are broadened in their meanings. For instance, 'domain' no longer means merely purview or sphere of influence; it is also a sequence of words or abbreviations or characters that identifies an Internet address. 'Portal' is not just a large gate but also a home site for Web browsers.

In these sensitive times, when humankind has triumphed over mankind, the Encarta resolutely avoids sexist words. It is ironical, however, that it should use a patently sexist word to describe the architect of the wired world. So, who's the one "who creates, organises, or updates the information content of a World Wide Website"? A 'webmaster', says the Encarta World Dictionary.

• SANJEEV VERMA

Cinemetaphors



Iranian cinema as an established industry dates back to around 1930, but it wasn't until the late 1960s and early '70s that Iranian directors such as Bahram Bayzai, Massoud Kimiai, Dariush Mehrjui, and Amir Naderi began winning international recognition. The industry was thrown into turmoil in 1979, when the Shah was deposed by the Islamic Revolution, and for several years production ground to halt, disturbed by political uncertainty, recession, and the war with Iraq.

It was in the '80s that the Islamic government resolved the uncertainty by creating the Farabi Cinema Foundation, whose mandate was to develop a distinctively Iranian national cinema with both ethical substance (as defined by the Islamic State) and artistic merit. The Farabi Foundation helped recruit and train a new generation of filmmakers. Farabi succeeded in boosting Iranian film production and reviving public interest. By the '90s Iran was producing about 45 films a year, movie attendances were high, and Iranian films were winning prizes at



Kiarostami: outstanding output

international festivals.

The new regime was not, however, against cinema as such (described by Khomeini as "one of the achievements of civilisation") and production resumed at around a dozen films a year, mostly, it seems, tales of the revolution shaped as adventures stories. The theocratic state tolerates neither sex nor gratuitous violence in its cinema. Modern Iranian movies do speak eloquently about the undercurrents in that troubled land, but obliquely in metaphors.

"Banning European and American movies has given Iranian filmmakers and an opportunity to experiment," says director Abbas Kiarostami, whose *Where is the Friend's Home?* (1987) was his third dramatic feature and first since the revolutionary period. The movie is set in the rural village of Koker. It begins as second-grader Ahmed sees a classmate harshly chastised by their teacher, who threatens the boy with expulsion if he does his homework anywhere but in his notebook; after school Ahmed realises that he has taken his friend's notebook by mistake and sets off on a long and complicated trek to return it; when the effort fails, he does his friend's homework for him and so saves him from being expelled. An absolutely gorgeous film about children, it owes its greatness not only to Kiarostami's skill and dexterity but also to his heartfelt belief that the world is beautiful.



About *Close-up* (1990), German director Werner Herzog said: "It is the greatest documentary about filmmaking I have ever seen." *Close-up* begins with a real incident: a poor young man named Sabzian is arrested for impersonating filmmaker Mohsen Makhmalbaf — though without any evident criminal intent, he promises members of a wealthy family parts in his next film, and borrows money he never returns. Filming the trial, Kiarostami encounters a real/reel drama of multiple fascinations: Sabzian testifies poignantly of his great admiration for Mohsen Makhmalbaf and about the hopelessness of his life before posing as a moviemaker momentarily uplifted him.

Close-up is among the few Kiarostami films which do not concern the problems of children. It is a based on a real incident on one man impersonating another, which is not an uncommon subject in cinema. What attracted Kiarostami to the incident, however, was the fact that the imposter was a film buff. The film is part-documentary, part-reconstructed, and is characterised by Kiarostami's realistic approach and gentle humour. It is crafted with awareness of the complexity of social and human issues. As late as 1990, before this *tour de force* opened the world's eyes to his talent, most people still considered him a children's director.

The Traveller from the South directed by Parviz Shahbazi is about a boy Reza, who at the verge of his teens takes an overnight train from the south of Iran to visit his aunt in Tehran during a public holiday. *En route* he helps an old lady recover some stolen money and jewellery, and when they reach the capital he insists on seeing her off safely at the airport. There she falls ill and Reza has to finally take her to the hospital. According to Kiarostami, *The Traveller from the South* demonstrates maturity of thought and the *mise-en-scène* of Shahbazi's first work is praiseworthy and promising.

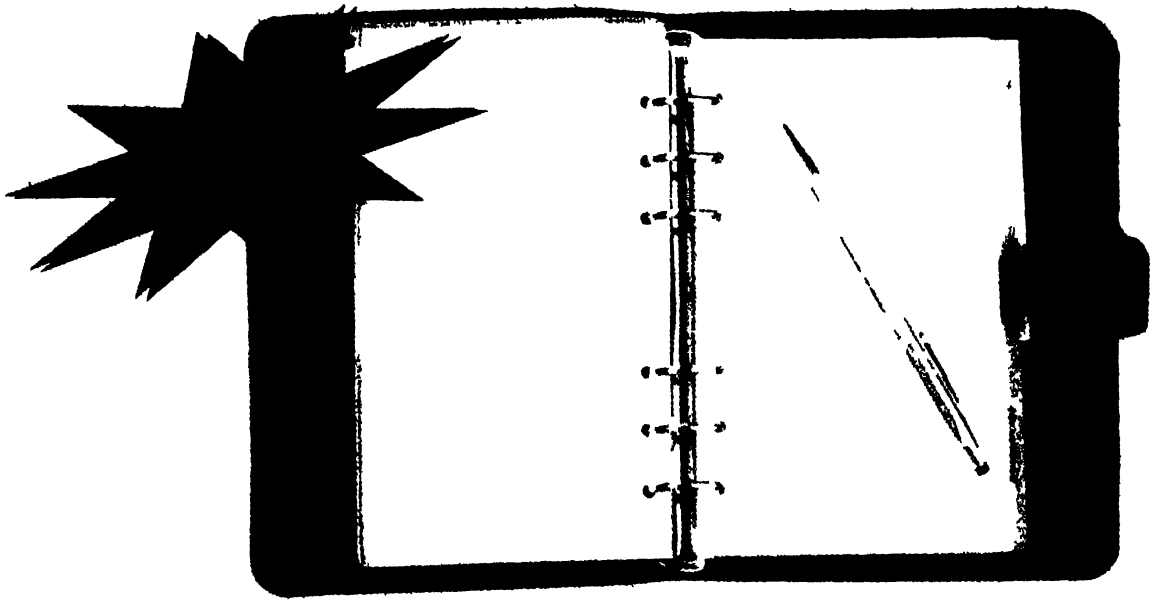
The increased attention devoted to artistic and cultural aspects of films has upgraded Iranian cinema to an internationally competitive status. Iranian films now form regular features of major international festivals which have been held at Berlin, London, Montreal, Moscow, New York, Hong Kong, etc, and many Iranian production have had great success with critics and the public. As Iranian films become more popular abroad, Iranians hope the industry will change outsiders' view of the Islamic Republic.

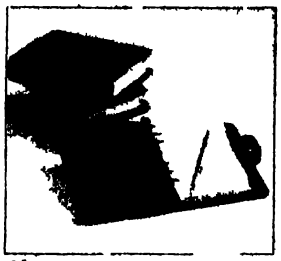
• RAFIQUE BAGHDADI

The Retrospective: Iranian Cinema was held in Mumbai by Mumbai Academy of Moving Images (MAMI) for its Second Festival of Films

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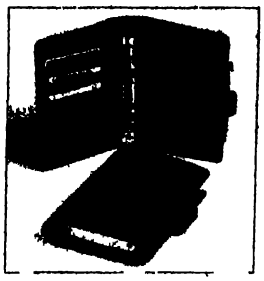




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The Asian shopping miracle

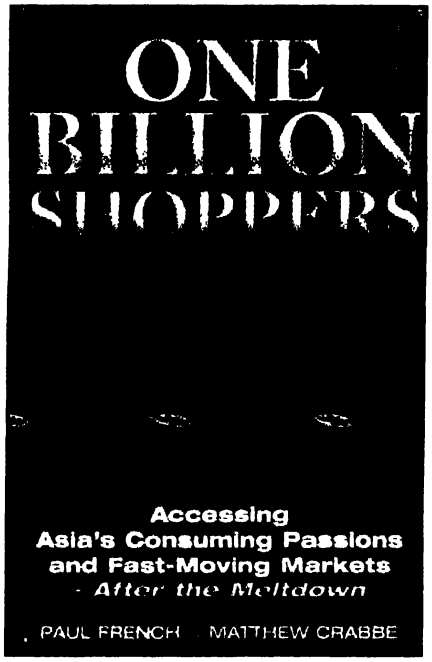
ONE BILLION SHOPPERS – ACCESSING ASIA'S CONSUMING PASSIONS
Paul French & Mathew Crabbe
Nicholas Brealey Publishing
Research Press
Rs960

Shoppertainment has finally arrived with a bang in India. Look around you — at the changing face of South Extension market in Delhi, the music stores and malls like Crossroads in Mumbai, Bangalore's beehive of activity Brigade Road, the increasing McDonaldisation, and it is clear that PLUS (people like us) are being courted by stores. In fact, this all consuming rage is late in hitting the subcontinent, for if you were to look at the Ginza in Tokyo, the Orchard Road in Singapore or the Pacific Plaza in Hong Kong, only to name a few, what becomes evident is that Asian megacities have been at the vanguard of this rapid change which is all pervasive and all consuming.

The fascinating book under review details and defines the magic moment when consumerism arrives as a feeling, an emotion and most importantly as a reflection of nation's bank balance. Chinese statesman Deng Xiao Ping came up with the theory of 'Xiao Kang', which essentially was his definition of the magic moment for the Chinese economy. India no longer lags behind in consumerism, though it still has a long way to go *vis-à-vis* shoppertainment.

As the authors write, "Take India as an example — many foreign companies have started entering the market in the same way that Western companies rushed to establish joint ventures in China in the late 1980s. In China, few companies found the great riches they were expecting. Invariably they faced bureaucracy, corruption, shifting politics, a weak local market and a culture they rarely understood. For many, India has been a similar story. Sony, Matsushita and Whirlpool announced in early 1998 that they were scaling back their initial levels of involvement in the Indian market and all claimed to have overestimated the size of the country's middle class."

One Billion Shoppers uses a potent mix of case studies, analyses and observation to highlight the opportunities for business in the region, reflecting Asia's consumers in all their dynamic diversity — from Muslim teenagers in Malaysia to street fashions in Beijing to India's generation X. As we close out the 20th century, Asians will constitute in excess of half the world's total population. The book is not about Asians as cheap labour or demon exporters, protectionists or potential enemies. It is simply about their role as consumers. From Subic Bay in the Philippines to Suzhou in China to the rapidly changing skyline in the bastion of tradition, Chennai, the power of consumerism has been unleashed unequivocally. Sample this: Ho Chi Minh City in Vietnam, considered by the World Bank to be one of the poorest countries in the world, has become the beacon for Vietnamese youth. Ninety six per cent of households own a TV set, 69 per cent have a VCR, 85 per cent a motor bike, 46 per cent a refrigerator, 11 per cent a washing machine, 76 per cent a stereo and 89 per cent a radio. What the authors are stating is marketers cannot afford to ignore the seventh most populous nation in Asia — Vietnam's population is set to double by 2025. Incidentally, by 2025, a third of the globe's population will be residing in Asia. The chapter 'Growth of the Megacity' tracks the emerging phenomenon — that cities are porous, they leak at the edges and suburbs expand, taking the form of either middle class enclaves or slums growing in their shadows. Shenzen in China, for instance, is the epitome of the new city. This reviewer was astonished when he visited the special economic zone (it even has its own stock exchange) some four years ago. French and Crabbe call it a frontier town with glittering towers and coloured neons. Cities are the engines of Asia's growth, of the world's 25 largest cities, 13 are in Asia. Don't worry; Mumbai, Calcutta and Delhi



One Billion Shoppers *details and defines the magic moment when consumerism arrives as a feeling, an emotion and most importantly as a reflection of nation's bank balance.... The book uses a potent mix of case studies, analyses and observations to highlight the opportunities for business in the region, reflecting Asia's consumers in all their dynamic diversity*

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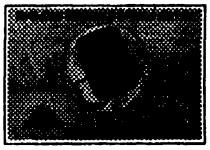
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all figure in that elite list.

But the authors have a poser for the readers: are Indians really in with a shot in Asia? The answer: an awful lot of people think not, but then an awful lot of people in the West have not been paying attention to India. The Merchant Ivory view of India is all in the past, the boom in technology, entrepreneurship and business in India has been missed, according to the authors. But let them continue with the narrative. The West sat up and began paying attention when in 1998, India tested its nuclear bombs. Well, that appears far-fetched for the West began to take a gander at India much before that at the turn of the 1990s, when India tried its hand at free market reforms.

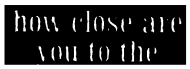
The key of course remains that consumers can only consume a product once the infrastructure is in place. This is where India continues to feel the pinch. So, what comes first, the out of town shopping mall or the road going to it? The tourist destination or the airport serving it? The suburban housing development or the water, drainage and power lines running to it? Infrastructure remains the fulcrum.

Global versus local and modern versus traditional are the stereotypes that have been absorbed and morphed adequately by Asian consumers. Asians have not been afraid to adopt concepts and products that have improved their lives, creating a spanking new version of modernity to emerge as a focal creative force. But keeping in synch with tomorrow's customers will remain the edifice that marketers will have to build upon, for demographics tell you that Asians are predominantly young.

But the summation is telling — Asia will continue to be a market for the future and cannot be ignored or written off, the ill-fated contagion has been shrugged off. French and Crabbe round it up by saying that to succeed in Asia requires both commitment and understanding at a much more significant level than before. Like John Naisbitt's seminal work *Megatrends in Asia*, a must read!

• SANDEEP BAMZAI

A refreshing read



"MR EDITOR, HOW CLOSE ARE YOU TO THE PM?"
Vinod Mehta
Konark Publishers Pvt Ltd
Rs295, pp239

Vinod Mehta can easily claim to be India's editor extraordinaire. He can beat everyone else hands down in any contest. After all, none of his rivals in the field have edited, and that too so successfully, the wide range of publications that Mehta has handled, right from *Debonair* to *Outlook*. Besides proving himself to be an efficient and successful editor, Mehta has made it amply clear that when it comes to treating all his proprietors with irreverence, he is second to none.

The introduction is the only piece of original writing which Mehta offers to his readers. The rest is a "junk sale" (Mehta's own disarming description) of his earlier writings

As a writer, Mehta is equally good. His extremely facile introduction to this compilation only reinforces this point. As it turns out, that is also the biggest problem with the book. It is the only piece of original writing which Mehta offers to his readers. The rest is a "junk sale" (Mehta's own disarming description) of his earlier writings. But then there should be no complaints on this score. For the the introduction itself is eminently satisfying.

There is an erroneous assumption that all editors must, as a rule, inflict their daily pontifications on their hapless readers. It is almost as if they feel that their shoulders droop under the burden of providing the nation its daily ration of sermons. Happily, Mehta does not belong to this category. He candidly admits that the urge to say something in his case is erratic. "It can strike once a day or once a week or once in three months," he writes. So he writes occasionally, and when he does that he does it well. Indeed, he does it so well that if one were to bring out a textbook for editors, then Mehta's introduction to the book would itself form a crucial part of it.

As for the rest of the stuff in *"Mr. Editor..."*, you are not supposed to take it seriously, as most of it is dated. But it nevertheless provides for refreshing and leisurely reading. You can take your pick, depending on your mood. Yet, you can be sure that you would enjoy every word of Mehta's. "The worst columnists are those whose contemplations and conclusions are unexceptionable. The best are those who combine in roughly equal measure intelligence, insight and information, giving the reader a fresh perspective," he observes while arguing as to why he didn't become a columnist.

Mehta does not don the heavy mantle of the intellectual nor does he shy away from market challenges which are believed to be an anathema to editorial freedom. In fact, he has demonstrated that a mix of cerebral freshness and marketing savvy is the right prescription for media success even in these days of industrial gloom. This comes partly because he does follow his own advice of taking his work, but not himself seriously. "Rudyard Kipling once described a reporter as 'the noblest work of God'. Hildy Johnson, on the other hand, in the play, *The Front Page*, maintained that a journalist was a cross between a bootlegger and a whore. The Indian press must choose between Kipling and Johnson," he suggests.

There is a sense of hunger that this book creates. Mehta tantalises his readers, whipping up their appetite. May be as a writer he has a problem. He has not yet made the transition from being a journalist to an author. Will he make it the next time around?

• ANIL SHARMA

Mapping the market



THE RK SWAMY – BBDO GUIDE TO MARKET PLANNING
Price: Rs27,500

The current buzzword in management, after IT and the prefixes of cyber, Web-based, and Internet are done with, is knowledge management. No one quite knows what the subject is supposed to yield by way of incremental insights, nor is it clear in what ways the manager can cope with the outpouring of data from various sources. A good beginning would be to define knowledge as one step ahead or at one significant remove from mere data, information, or the communication of bit and bytes. Equally, it is a good step down from the level of truly internalised and shared insights. According to currently popular notions, it is such intelligence (about customers, processes, competitors and so on) that enables a corporation to stay alive and competitive.

The first prerequisite is to stay current on information about one's consumers. It is in this area that marketing as a discipline in India has been considerably handicapped as the data available was either outdated or inadequate. Among the first to attempt to provide shareable databases were far sighted advertising agencies such as JWT. One of the driving forces behind the first-ever such compendium was R.K. Swamy, who later went on to establish an advertising agency that has now evolved into RK swamy-BBDO. It is, therefore, not surprising that the latest attempt at a hi-tech volume of district-wise market potential and media reach has come from that agency.

The notion of taking several indicative variables (such as sales tax collections, number of cinema seats, chemists' outlets, etc.) for a complex index is not new. Nor is the idea of expressing the index with a major benchmark centre as 100. This was the methodology of the Thompson Urban Market Index. All successors have followed a similar approach. The special thing about the book is that it has linked media reach with market potential; it has gone further into district wise numbers which are now available, thereby removing the great urban-rural divide that had been nagging marketing and media planners for decades.

There was a time when the prevalent wisdom was that 'urban' stood for higher potential, better designed products, better reach and higher sophistication whereas 'rural' stood for everything at the other end of the spectrum. But NCAER studies have found that rural household potential in the aggregate was in some cases actually higher than in the urban areas, or at least not so far behind. It was in per capita usage and penetration levels that the villages and semi-rural areas lagged behind.

Also, the town-country divide, if it exists, is a function of how strong the natural mobility and trading links are between towns and surrounding villages. A town of 100,000 population, for example, would derive all its employment and income from the immediate environs. As has been found in the extreme case of bicycles and mechanical watches, while sales statistics might show 70 per cent of the sales taking place in towns, the population of bikes or watches is exactly the other way round – three quarters of them in the villages! The explanation is simple. Towns are the biggest multi-purpose shopping malls for rural folk with enough purchasing power. What is perhaps more counter-intuitive is the fact that the village buyer, far from desiring only the basic or "no frills" product form or model, would happily leap-frog a couple of stages and adopt the latest models, if only he could afford it and find the brands nearby. For this reason alone, the case for using the district as a data collection and planning unit gains considerable strength.

The database is extensive and carefully chosen by experts not merely in statistical analysis but understanding and usage of marketing intelligence. The connection between claimed potential and estimates are well tested. The accompanying CD-ROM gives summary as well as supplementary data for easy reference.

One can hardly do justice to a report that has 416 pages of data tables and attractive maps of states showing towns and districts. Yet one must point out that the summary tables in themselves yield powerful insights. Everything that seems to be happening is happening in some 23 "metro grade" districts, containing 11 per cent of the population. More than a third of the potential resides here – please note, not in a particular class of town or city, but in a north-south corridor starting somewhere near Chandigarh and going down to Goa, via Gujarat and Maharashtra. The contrast, if any, is between the accessible, generously irrigated, cash-crop surplus districts and the vast hinterland on the other. It would be interesting to see if policy makers draw inferences from this.

It would naturally be a futile attempt if one were to list all aspects of this planning guide. Some indicators of the depth of the effort are:

- urban/rural media reach is separately reported within each of the 411 districts,
- both gross market potential and level of affluence (per capita) are looked at, and
- the Market Potential Value is derived at the district level and is said to correlate significantly with 23 categories of consumer goods.

Several case studies of the application have been prepared by the agency to help demonstrate the practicality of the indices.

The combination of Market Value Potential plus usage (product penetration) along with the prioritisation of media reach would give the marketer an excellent multi-purpose instrument – a kind of marketing Swiss-army knife! With this one can slice, peel or shape the market to be reached and the media to reach it with. From market estimation before the product is developed to monitoring of performance of a brand after it has been distributed and promoted – there's a key for all this.

• S. RAMACHANDER

A different movie

When ad film and music video maker Mahesh Mathai set out to do a feature film, his pet project was a story based on the English in India in the 1930s. What is actually seeing the light of day on 10 December is *Bhopal Express*, a movie based on the 1983 Union Carbide disaster in Bhopal. "It was a good subject and nothing had been done on Bhopal before. Besides, there was a need to tell the story; it is a problem whose aftermath is still there," says Mathai. Of course, he is making a point — MNCs should bear the same responsibility in their host countries as they would in their home countries. The film itself is cleverly made. For one, it has been shot entirely on location in Hyderabad and the US. "If you are going to recreate an event, then stirring up things in that town where the event has occurred can be a sensitive issue," he says. That's probably why the film will see the light of day. Secondly, Mathai has made sure that the financing has been extremely transparent and has initiated a point system, which is similar to stock options in companies, for the investors and heads of departments. And *Bhopal Express* is a fully insured film. A feather in Mathai's cap is that it has already got accepted at the 50th Berlin Film Festival. •



Twinspotting

Ace black-and-white photographer Ketaki Sheth is launching her first book this month, cleverly titled *Twinspotting*. And it's a compilation of B&W photographs of 82 twins, all belonging to the Patel community in the UK and India. "It all started when I was given a directory listing all the Patels settled in Britain. And as I leafed through the pages, I counted 25 sets of Patel twins in the greater London area alone," says Sheth. Hubby Aurobind Patel scanned the directory and drew up what became Sheth's first database of Patel twins. Of the 100 twins that Sheth came across, only 20 per cent are from India. But this was just the beginning of a four-year project. Though Sheth's *Twinspotting* will be launched on 7 December, 40 of the 82 pictures will be exhibited at the Piramal Gallery till the end of December. •

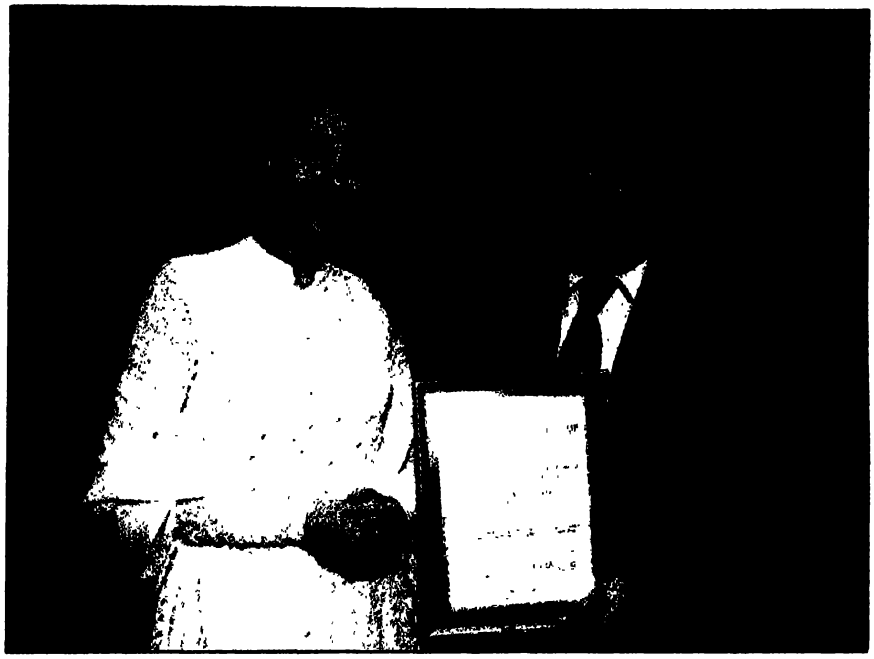


An artful attorney-at-law

It is not a little unusual to find a lawyer - and an Australian lawyer at that - with an extraordinary passion for Indian textile art. The 56-year-old Michael Abbott wears many hats. He is one of Australia's top lawyers, is on the board of several art galleries in that country and is also widely considered an expert on Indian and Asian art. He is now also the chairman of the Australia-India Council (AIC), a non-statutory body established to broaden relations between the two countries through exchanges primarily in areas of art and culture. In New Delhi this fortnight for AIC work, Abbott still managed to find time to pursue his uncommon passion for Indian textiles. Abbott, who lives with his wife and four children in

On quality path

f californians discuss their shrinks at parties, then their counterparts in India ..em to do the same about their ..moeopaths. Homoeopathy which was ..nce a poor man's resort has in recent ears acquired considerable gloss. While housands of homoeopaths dole out "sugar coated placebos" — as a cyncial allopath would say, to commoners, a handful of them treat the high society in their expensive clinics. Dr Mukesh Batra is a doyen among them. Besides running his Positive Health Clinics in Mumbai, Bangalore, Baroda and Delhi, Batra has one now in Maritius as well. When actress Karishma Kapoor took time off from prancing with Govinda *et al* and presented him with the ISO 9002 certificate for quality, naturally he was beaming. While congratulating Batra on his quality consciousness, at a glittering function at the Taj Gateway at Mumbai, Karishma recalled her long association with him since she was a little girl accompanying her mother Babita to his clinic. Since homoeopathy evokes strong opinions of praise from its aficionados and derision as quackery from others, Batra's efforts to bring in quality systems into it should be welcomed by both sides. •



PALASHRANJAN BHAUMICK



Adelaide amidst an impressive Indian art collection, is trying to take an exhibition of Indian textiles to Australia. What is more, it is, as he puts it, "his lifelong ambition" to write a book on how Indian textiles have provided the spur for South East Asian textiles. So, how does he match frequencies between law and textiles? "It's simple," declares Abbott, "I prefer textiles to law." •

Quotable business

Last fortnight, saw the launch of *Business Mantras*, one more offering from G... J Piramal's hyperactive keyboard. This brings the total number of Piramal books – all of them focused on Indian business history – to six. This is a different sort of book — it's a quote book. "Actually it was David Davidar's idea to have an Indian quote book," says Piramal. And of course, it was the urge to do something different. *Business Mantras* has been co-authored by daughters Aparna and Radhika, and Mukund Beriwala of DGP securities. "Working together with my children brought home to them what I do," says Piramal. •



PALASHRANJAN BHAUMICK

"The next century could be India's"

Gary L. Ackerman has been one of India's staunchest backers in the US government, earlier as chairman of the House of Representatives Sub-Committee for South Asia and now as co-chairman of the Congressional Caucus on India and Indian Americans. During his recent visit to Mumbai, he spoke to **Sarosh Bana** of the strategic partnership he envisaged between his country and a "resurgent India"



Q Why does the United States have a mindblock in its outlook towards India?
A This situation is poised for a change. India has always had a special place in the American psyche. But it is a nation as much loved as it is misunderstood and our bilateral relations have been governed more by mistrust over the past 50 years. The time has, however, come for all of us in responsible positions to overcome this phenomenon that I call the "trust deficiency syndrome". From all accounts, this process has already begun as underscored by the ongoing talks between deputy secretary of state Strobe Talbott and external affairs minister Jaswant Singh. This dialogue will effectively induce a substantive shift in how we conduct our relations and such a shift in mindset and emphasis is imperative to ensure that the US and India emerge as strategic partners. Ironically, the nadir we reached in our relations after India's May 1998 nuclear tests has given both sides a new chance to define a diversified and stronger relationship based on mutual respect and trust.

Q What are the key issues where there is convergence of interests?
A No amount of attention is excessive when it comes to dealing with one of the world's premier civilisations, one of the most important nations crucial to maintaining strategic stability in Asia, one of the most important markets globally, and one of the richest reservoirs of highly talented and skilled human resources. History should never raise the question in my country: "Who lost India?".

I am convinced that it is trade and commerce between our two nations that will push Indo-US ties to that higher and more substantive plane. India stands today at the edge of greatness. The next century could well be India's, but this will depend on India itself.

Q Are there any factors inhibiting our commercial ties from flourishing?
A Today, we discern a reluctance to change and a fear of losing culture by assimilation (by India). The time has come to break free of such misgivings, taking India's computer software industry as a yardstick. Information technology has been India's biggest success story, recording a yearly growth of 50 per cent over the past decade, with exports set to exceed $3 billion this year. This was mainly owing to intense collaboration amongst Indian American, American and Indian companies, without much meddling from the government. But just as India has emerged as a world leader in software development, it holds similar potential in financial services, medicine, manufacturing, education and commerce and with its billion-strong population, it could become the most sought after consumer market.

To realise all this, India needs to move ahead decisively with its second generation economic reforms to raise its growth rate and reduce poverty. This means lowering trade barriers, not raising them, permitting both domestic and external competition in all sectors of the economy, enunciating clear and consistent policies for foreign investment, and removing the case by case discretion that the bureaucracy still enjoys.

Q Why is Washington pussyfooting Pakistan, when it can well declare it a rogue state considering its backing the Talibaan and other misdemeanours?
A Though there is sufficient evidence to warrant such a declaration, the US is not pussyfooting. We can't invade Pakistan on the Talibaan or Osama bin Laden issue, can we? We have invoked further sanctions following General Parvez Musharraf's coup on 12 October and have demanded a timeframe from him as regards the restoration of democracy in his country. As the Congressional delegate to the United Nations General Assembly, I have submitted that India is bearing the brunt of those seeking to Islamise the region, if not the world. Cross-border terrorism is certainly a major threat being held out to India as well as to the world at large and it is to the credit of the Indian government and its great military for responding moderately to the Pakistan-sponsored operation in Kargil this summer.

The positive spinoff of Kargil and the military coup has been that the US no longer clubs India and Pakistan together in its perceptions, but views them as separate entities which need to be treated differently.



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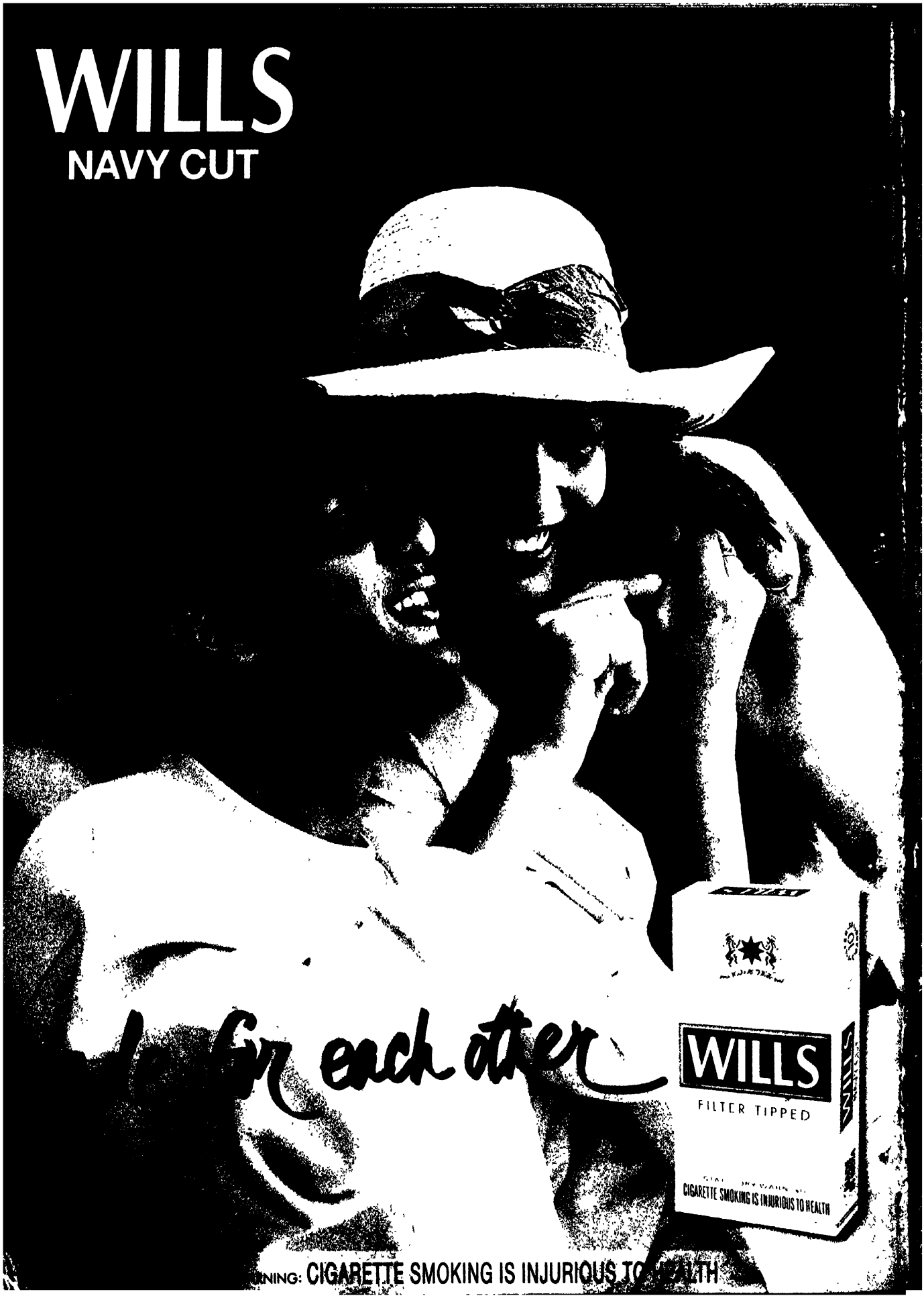
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Business India

THE MAGAZINE OF THE CORPORATE WORLD

December 13 to 26, 1999 Rs15

GLAXO'S GAMEPLAN
REAL ESTATE REVIVAL
THE RUSH FOR FM RADIO
HDFC ON THE MOVE



N. R. Narayana Murthy

Chairman & CEO,
Infosys Technologies Ltd.

BUSINESSMAN OF THE YEAR 9



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Business India

Information technology companies have become the drivers of the stockmarkets. Given the rapid pace at which the bricks-and-mortar brigade is giving way to the new dispensation and the inherent skills of Indians in software development and technological innovation (albeit, largely in a foreign evironment so far), it is only too likely that they will become the drivers of the Indian economy itself in the new century.

At the dawn of a new millennium it is, therefore, apposite that *Business India*'s Businessman of the Year award should go to one of the leading lights in this arena — N.R. Narayana Murthy, founder-chairman and CEO of the Rs513-crore Infosys Technologies.

The achievements of Infosys are well known: it is India's most successful Silicon Valley-style start-up; over the past five years, sales have grown at a compounded annual growth rate of 74 per cent and profits by 78 per cent; thanks to stock options given to even the humblest employee, it numbers more millionaires (nearly 2,000 at last count) than any other company in India. The list of superlatives goes on...

The achievements of Murthy, when divorced from that of the company he heads, have not, however, been given equal publicity. It has not been an easy road for him. There were financial problems, not just in the beginning when he couldn't afford to do his bachelor's at the Indian Institute of Technology, but later too when he had to hock his wife's jewellery to pay staff salaries.

But through all this adversity, Murthy has been a pioneer. He was one of the first to see the potential of offshore development. He was implementing good corporate governance when others were paying lip service to the concept. And he was preparing for an American Depository Shares issue when sceptics scoffed at the idea that it would ever be possible for an Indian company to list and prosper abroad.

Today, Murthy wears several hats. He is the flag bearer of the Indian software industry. He is the role model for an army of wannabe entrepreneurs. He is the spearhead of the movement for corporate democracy, transparency and equity for all stakeholders. And, in passing as it were, he is the ambassador for Infosys.

Yet through all this, Murthy has retained his essentially middle-class moorings. There are no signs of ostentation at his home in Bangalore. There are no servants; the Murthys do their own housework. There are no flashy cars or the other trappings that are the normal accompaniment of wealth. Today, donation to worthy causes is high on the agenda. "The power of money is the power to give," sums up Murthy.

In essence, Murthy and his Infosys brigade have proved that it is possible to build a world-class enterprise from scratch by systematic and focussed hard work. That you don't need big business backing or access to large amounts of capital when you can leverage sweat equity with equal success. By providing leadership to a group of committed individuals, none of whom may have been a star in his or her own, Murthy has created a star performer.

We are indeed proud to welcome him as Businessman of the Year 1999.

in this issue

BI Index	20
Books	196
Businessmen in the News	31
Business Notes	34
Cities	130
Column	47,112,128,163
Corporate Reports	80
Cover Feature	58
CyberNews	21
Economy	56
Economic Indices	55
Editorials	11
Enterprise	136
Executive Focus	176
Executive Track	173
Feature	123
Finance	101
Focus	74
Follow-up	26
For Your Information	19
Government & Politics	48
HRD	126
Infotech	148
International Briefs	172
Internet Addresses	144
Interview	202
Letters to the Editor	6
Listening Post	14
Management	118
Marketing	116
Market Talk	171
Marketwatch	168
Media	138
Mid-cap Stock	158
Mutual Fund Monitor	166
Newscast	28
Panju's Page	54
People	200
Places	152
Portfolio Talk	156
Selections	193
Special Report	68
Telecom	140

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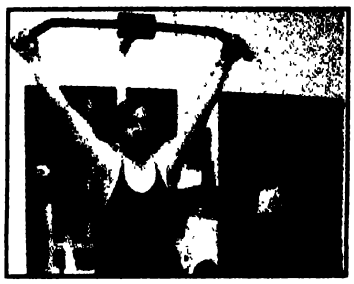
Corporate Reports

80
GLAXO WELLCOME
Glaxo-Wellcome appears to be hitting all the right notes with a welter of initiatives to kick-start its Year 2000 action plan

90
VST NATURAL PRODUCTS
This 100 per cent subsidiary of VST Industries finds a buyer

92
Y. K. MODI
Y. K. Modi has put Rossell Industries on the auction block. What is he up to?

99
DAI AMATICS
With a long list of firsts to its credit, this low-profile quarter-century-old software company has big plans for the new millennium





48
Government & Politics



- Sonia wards off internal pulls and pressures to see the IDRA Bill through
- Foreign equity may be allowed in technical and medical journals this time around



56
Economy
Aggressive protests force an inconclusive end to the recent WTO conference

101
Finance
HDFC is gearing up for the millennium which may end up with its merger with the HDFC Bank

116
Marketing
Amway, the Indian subsidiary of an American MNC is spreading its wings, whose span is growing by the day

123
Feature
With the millennium mania extending the season and the size of corporate gifts, big businesses have stepped into the preserve of basement entrepreneurs

130
Cities
A river front development along the Hoogly has the potential to revive economic buoyancy in Calcutta

136
Enterprise
The market and technology savvy promoters of Century Plyboards have put the company in a strong position

138
Media
Children's magazine *Chandamama*, which folded up last year, wants to reclaim past glory in a vastly changed toon-eat-toon world

148
Infotech
A small set-up in Calcutta produces top-of-the-line software for the world's fourth largest vendor to accountants

11
Editorials
- In the matter of monitoring the newly opened-up insurance sector, the government appears to have construed 'liberalise' as 'leash' yet one more time
- The print media remain closed to foreign competition.
- The NGOs may claim credit for forcing the failure of the WTO ministerial, but its collapse served the interests of a few important members, most notably the US

26
Follow-up
- Bharti Telecom had taken the Indian partner's place when the British Telecom-Wipro JV for VSAT broke off two years back.
- DTT-SB Billimoria & Co tie-up has happened as we predicted
- Securities lending could be the cure for the dull stockmarkets. The product is now showing signs of gaining acceptance
- Less than six months after it was launched the Italian 'bee' is buzzing busily in both Indian and various export markets

34
Business Notes
- Virgin Atlantic is coming to India.
- India's inept tourism planners still have a lot to learn.
- Strife in fan manufacturing
- The Indian Navy is bracing itself for a grand reception to the new millennium
- Tax tribulations of permit rooms

COVER FEATURE
58

Man with a vision

Leveraging Indian brainpower and sweat equity 53-year-old N.R. Narayana Murthy built a world-class software company from scratch



PALASHRANJAN BHAUMIK



Cover photograph:
PALASHRANJAN BHAUMIK

SPECIAL REPORT
68

The country's real estate scene is picking up on the back of demand and political stability, but there's lots to be done to ensure that the party lasts



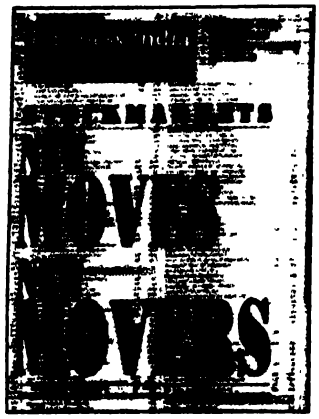
PRAKASH CHAVAN



VIKAS GOSWAMI

FOCUS
74

With an open auction likely to take place in January for the FM radio stations, a consortium has already been formed in Mumbai and Delhi for using common infrastructure



◆ Good example

The public sector Corporation Bank has come out with a unique "Corpclassic" high-liquidity savings account with high returns of term deposits. The Union Finance Ministry and the Reserve Bank should see that such noble schemes are extended to the computerised branches of all nationalised banks. They should also ensure that interest rates and various bank charges are uniform in all public sector banks. The interest rates for ordinary savings accounts may be increased, for which it can be made payable annually instead of compounding it after three to six months, and calculated on the minimum balance in the month in multiples of Rs1,000. To further compensate for such higher interest rates, cheque-book charges may be levied in savings accounts.

MADHU AGARWAL
New Delhi

◆ Great magazine

I have been subscribing to *Business India* for the past many years and have no hesitation in declaring that it is the best and most outstanding of all the business magazines. The selection and presentation of articles is excellent, the coverage is wide and the writing is informative, clear and unbiased. I eagerly await the issue every fortnight as it provides readers a treasure trove of information on a range of subjects and issues.

As a well-wisher, I am sure the magazine will achieve many more laurels in the days to come.

P.E. JAMBHEKAR
Pune

◆ No fundamentalism

In *Time for the bubbly*, the hope has been expressed for a stable government in India for the next five years that can result in increases in investment flow, industrial growth and rural purchasing power. As a first step, the government will need to create confidence in the minds of the people and investors both inside and outside the country. It can only do this if it can curb the growing incidence of intolerance and violence of the Hindu fundamentalist organisations against the minorities. The government did well by ensuring the success of the Pope's recent visit to India, but as your editorial *Reviling the faith* (1 November) rightly points out, the authorities will do well to recognise and check the dangerous trend in the various controversial demands made by these outfits. The BJP should realise that it is no more in opposition, but holds the reins of power and act accordingly. In this, it only needs to see the approach of the Communists who are ruling in Kerala and West Bengal who have softened their dogma in administering their states.

A. JACOB SAHAYAM
Karaikudi (Tamil Nadu)

◆ KCL's good example

Japanese techniques are now becoming popular among Indian companies as evinced from your informative article on the unique exercise of KCL company (17 October). KCL has been successful in such methodologies like zero rejection and Kaizen, familiar as it has now become with the magic of Japanese management techniques. Other companies like Crompton Greaves, Modi Xerox and Escorts have also successfully implemented them.

As lifetime employment is not entirely uncommon in India's private sector, Indian companies can benefit by introducing continuous intensive training for their employees that can lead to improvement in their production levels and product quality.

A. PANDYA
Gujarat

◆ Well done, Naidu

Andhra Pradesh's example amply shows that people desire a leadership that can deliver the goods. N. Chandrababu Naidu, as chief minister, has shown that the primary quality of leadership is to give vision to the people. He has focused not on vague ideologies or slogans, but on the immediate needs of the masses and his various projects for different sections are practical measures which people appreciate. He has attempted to provide a transparent and responsive administration, although the bureaucracy continues to remain by and large venal and obstructive. By applying modern management techniques and information technologies, he has introduced what was lacking in the governments of the past 50 years, namely, basic competence. Politicians and bureaucrats should note that the public will become more and more assertive and aggressive in the days to come in demanding accountability and performance.

M.R. PAI
Mumbai

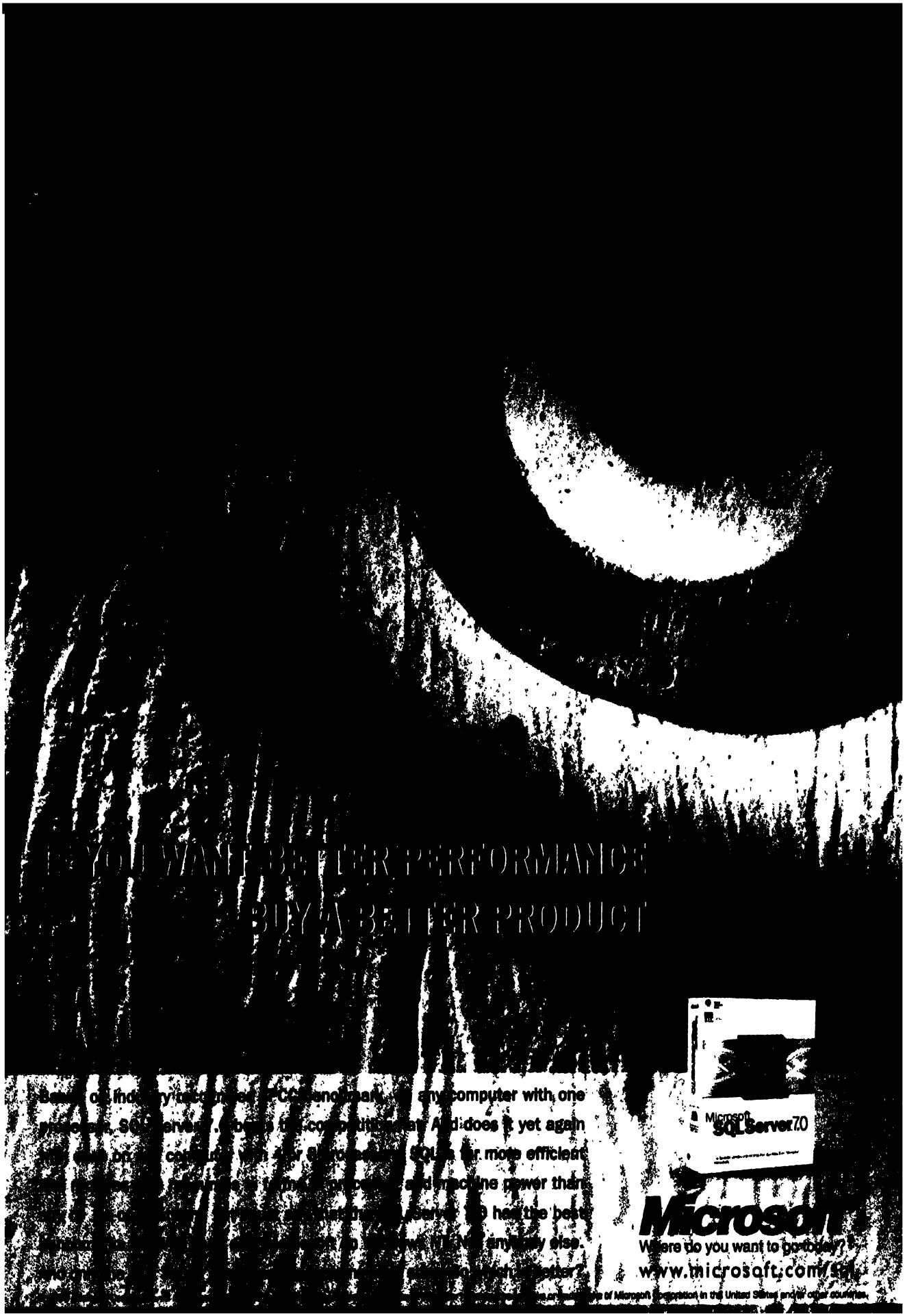
◆ Unfair assessment

In my opinion, your article *Victim of hype* (Focus, 1 November) evokes mixed reactions which end to confuse the reader. Whereas you cite our achievements as 'moderate success', you would do well to consider 1988, when the Intel 386 had just made an entry into India. The PC industry was in its infancy. Against this background C-Dac was required to build a machine more powerful than the Cray model of supercomputer then given to India, within a period of three years. Parallel processing was selected as the technology to build on, a concept which was new at the time. C-Dac faced the odds successfully without having seen a parallel supercomputer. Interestingly, today, practically all large computers are based on parallel processing.

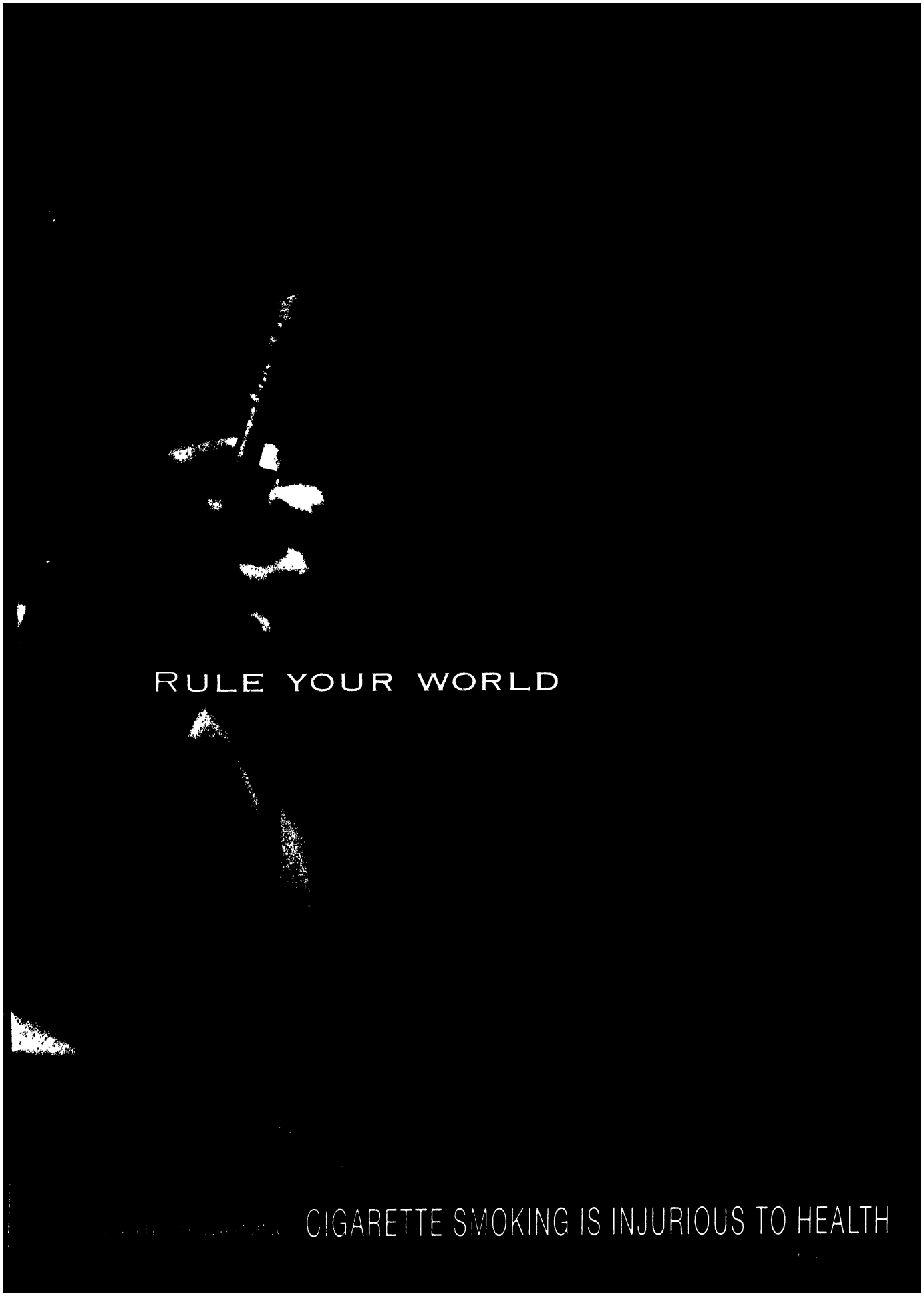
In high-end computing, we not only delt with parallel processing, but also hardware design, chip design, ultra high frequency circuits, software tools, industrial design, high-bandwidth switching and diverse applications in the scientific and business field. These have enabled us to offer solutions in GIS, finance, banking, telecom, power and health. These are based on our experienced and skills generated as part of our missions and are therefore not unrelated to our line of work.

Our business model has worked very well, as suggested in the article. Where then is the 'moderate' success? Losing people is not a problem specific to C-Dac. In fact, our average turnover is less than 15 per cent — well below the industry average of 25 per cent. As any other government would, ours too provides much-needed support for high-tech development such as we do. High-performance computing is today recognised as a strategic technology resource which every nation strives to possess as it serves almost every field, apart from the traditional science and engineering fields. C-Dac's efforts in this area have been recognised and appreciated in this fast-changing area of IT and therefore it would be unfair to term it hype.

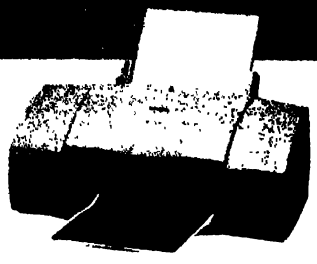
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Time for the details

In the matter of monitoring the newly opened-up insurance sector, the government appears to have construed 'liberalise' as 'leash' yet again

On 2 December history was made when the Lok Sabha passed the Insurance Regulatory and Development Authority Bill, six years after it was first drafted for the purpose, with the consent of the main opposition party, the Congress. Admittedly the latter did suggest some emendations, but the tone with which the bill was cleared gave the impression of a bipartisan approach to an issue that has defied birth ever since the first moves were made to deregulate the sector. After more than four decades of functioning under the aegis of the state, the insurance sector has emerged from the shadows. So who should rejoice?

Most of all, the country's voters. It is still too early to expect the opposition and the ruling party to work together on a programme of what one economist has called the stage of "process reforms". The Congress has not yet found its feet after being virtually swept away in the flood of the Vajpayee victory and its leaders are still groping their way in Parliament, none more so than its supreme leader Sonia Gandhi. She had no comments on the bill, leaving the stage to Priya Ranjan Das Munshi to make the necessary noises before signing on the dotted line. But the fact of their assent on an important issue such as this should give the more sober leaders in the party an incentive to ponder on the art of cooperating where opposition is futile; after all, a repeat of the Sonia-Jaya act to bring down the government is not something the voter would find amusing at all, even if the Congress in some wild moment of fantasy might think it feasible. But a strategy of bipartisanship is not on the cards and one should learn to live with small mercies.

No matter. The fact that the bill has finally seen the light of day should signal the beginning of the end of the monopoly of the public sector organisations that have held sway for decades, and the demolition of some favoured shibboleths. The state has not succeeded in securing every Indian's future. It isn't that the entry of private insurance companies will achieve this, but it will certainly make the task easier. The Life Insurance Corporation, for instance, has 90 million policies, no mean achievement, but this falls terribly short of the coverage if one takes into account the number of Indians not working in the organised sector or not working at all, all of who are exposed nevertheless to the hardships and vicissitudes of a harsh life. Then again, the General Insurance Corporation's health cover too is woefully short given the nature of the ailments that afflict the vast masses of the Indians not privileged to live in cities and with regular incomes or wealth of some sort or the other.

Regulator? Autonomous?

Having said that, it is important to note that the bill also contains provisions to set up an Insurance Regulatory and Development Authority along the lines of Sebi. Like Sebi, the IRDA will function as an autonomous body and monitor the competition between the private players and LIC and GIC. Naturally, the first premise for the IRDA to fulfil this role will be the extent of its powers and autonomous status to effectively watchdog the game between the old and the new players. On a surface view the IRDA does seem to have that privilege as it has been set up as a statutory autonomous body. The bill gives it specific powers to promote the growth of the industry under the new dispensation of competition with regulatory powers transferred to it by the Central government.

But the government has not gone the whole hog; for instance, it retains control on policy matters, a stipulation not unlike the one that binds Sebi to similar authority. The difference is in the illusion that the government attempts to create in the case of the IRDA; the clause restricts the government's control to policy matters 'other than those relating to technical and administrative matters'. This is clearly playing with words, because the definition of what is technical and what is not can be changed as the government wishes.

There is also the matter of the stakes allowed to the foreign parties. With a ceiling of 26 per cent there may be some reluctance for foreign insurance parties to enter, but surprisingly the response so far has been welcome. Be that as it may, it's time for the details now; the sooner the better. •



Perversity aplenty

The print media, the biggest proponents of liberalisation, remain closed to foreign competition

Nearly 10 years after the first words on liberalisation were uttered in Delhi and around the country, one would be hard put to find any analyst not belonging to the Left persuasion who does not swear by all it stands for: open markets, minimum government role in the economy, and liberalised rules for foreign investment. Nearly a decade after the structural adjustment programme began in 1991, the economy has been considerably opened up to competition and foreign investment in consumer goods, automobiles, even television. But there is one sector that still remains closed to foreign competition, namely the print media.

The print media in India, especially the English-language ones, have been by and large the biggest proponents of free markets and foreign investment. Pick up any daily in the cities across the country and the front pages with the editorial columns are bound to be sounding off on the virtues of the public sector going private, on the strengths of foreign capital and management, and the need for the private sector in the country to give up its protectionist perspective and get global. Stand up and fight, that is the credo that editorial writers daily churn out at their word-processors under the guidance of their editors and the benediction of their owners. So long, of course, as the print media are left alone in their protectionist hothouse.

For years after the liberalisation process began, successive governments have sounded out the possibilities of overriding a convention that was set in 1955 by the then Congress government banning foreign media from directly disseminating news from the boundaries of this country; this interdiction was also interpreted to mean a ban on foreign investments to any extent in the domestic media. Every time the possibility was scuttled and the proposal shelved for further discussions.

The latest salvo has once again been fired; at the recent India Economic Summit, information secretary Y.N. Chaturvedi suggested the possibility of a more liberal policy for the print media; a day later Minister of State for Information and Broadcasting Tapan Sikdar reiterated that position, although with the ambivalence of ministers not sure of which the way the wind will blow or their own power to influence policy; by March 2000, he said, a decision will be taken. Viewed charitably, this can mean time for debate and a popular consensus on the subject; by the reverse token it could give the spin doctors in the publishers' boardrooms enough time to send that proposal back, where it has been — the backburner.

Nothing would be more perverse than for the government to cave in to the pressure of publisher owners who will appeal to national sentiment, bring to mind the threat of foreign capture of minds and the distortion of news in order to retain the 1955 ruling. Perverse because the arguments they put forward are invalid and irrelevant in the present circumstances, when two-thirds of the industry of dissemination of news and information has already been liberalised. As it stands, the 44-year-old convention has lost all its reason to exist, unless of course one is considering the interests of the publishers of the print media.

Consider the following: television is largely open and you can watch news on any number of channels not owned by Indians. To their credit, various ruling parties since 1991 have whittled away at Doordarshan's monopoly to a point where the viewer, in the best tradition of competition, has choice of news channels. In effect, the argument that foreign news dissemination directly to the Indian people can prove harmful is a proposition that has already been put to the test and found wanting. There is more.

In 1992, the then Congress government allowed foreign news agency Reuters and others subsequently to disseminate what was termed non-news information, namely stock quotes, exchange rates, and data on economic and corporate indictors. In a disingenuous move a difference was made between news and information, with the former still subject to the 1955 prohibition. Reuters and soon thereafter Knight Ridder and Telerate entered what was the most lucrative trade, accounting for a major portion of the revenues of the Press Trust of India and the United News of India, the two domestic news agencies through which the foreign news agencies had disseminated their quotes till then. Today the foreign news agencies also put out news on economic and corporate activities along with their financial data to high-end users.

They are barred from political news, but not the television channels. No prizes for guessing whom the 1955 convention serves. •



Duplicitous agenda

The NGOs may claim credit for forcing the failure of the WTO ministerial, but it nevertheless served the interests of a few important members

The Indian delegation, industry association chiefs and their motley crew of advisors, are back home, both relieved and in a self-congratulatory mood, from the WTO talks at Seattle. Talks? The ministerial meet ended in a whimper after all the hoopla that preceded it — the endless seminars, position papers, and editorials in financial dailies and magazines. At Seattle the NGOs succeeded in disrupting the talks and having the ministers from the 137 member countries hastily packing their briefcases. Nothing substantial was discussed; there is no affirmation of what happens next. President Clinton made the right noises when he declared subsequent to the talks that he remained optimistic of a new round; so did the other G7 ministers. A meeting without qualities.

Nothing shows up the dreariness of the ministers attending the Seattle round than the fact that differences continue to dog the agricultural sector and that the main countries stalling any progress on the subject are the European Union and the United States. At Seattle the farm talks broke down; all that was achieved was a promise by the US trade representative that the talks would proceed; the EU officials offered the view that progress made at Seattle need not necessarily lay the basis for the new negotiations.

The NGOs would like to believe they won. The CPM delegate went on record to state that not having an agreement was better than having a bad one. The NGOs may be justified in feeling the way they do; but why should the Left think the way it does? After all, one would never know if an agreement was bad or good unless one entered the negotiating room. And at Seattle the meeting ended before its time.

The official Indian delegation must have returned feeling content at having succeeded in keeping the labour issue out of the talks; but the victory will appear pyrrhic because the equally pressing issues also did not figure. For instance, developing countries had hoped that Seattle would play host to a faster phasing out of quotas, that e-commerce would be discussed at length because India has sensed its competitive advantage in the new economy and very sensibly would have liked the Seattle round to begin the process of laying down the conditions for its orderly development.

In retrospect it appears that the biggest losers from the Seattle breakdown are the developing countries. Clearly, they had a lot at stake in the process of discussions that were expected; leftists and others who criticise the WTO as a handmaiden of the West should know that it is the only forum for the developing countries to escape the arm-twisting of the developed nations like the US that prefer the bilateral approach to trade negotiations and disputes. Multilateralism and the WTO can be used to keep the labour issue out of the trade regime, as the Indian delegation found; to suggest otherwise is plain infantile.

Against this backdrop it's not surprising that the US was never really hot on the Seattle round. President Clinton has more important matters to attend to, namely, the forthcoming elections next November. Next March or so the US Senate will also discuss a resolution calling for the withdrawal of the US from the WTO. There is a substantial opinion among US Congressman that the organisation has not favoured domestic interests and that the best bet for the Americans is to treat its trade partners on a one-to-one basis. This is especially true of the brick and mortar type of industries like textiles, steel, and the like that have seen a diversion of domestic marketshare to imports from developing countries. Not surprisingly, labour unions like AFL-CIO in America too seem to get hot under the collar whenever the WTO is mentioned.

All this means that the camp opposing the WTO has strange bedfellows. There are the NGOs, a genre that consists, among others, of labour unions in the West fearing job reductions following cheaper imports, and producers of goods in developed countries unable to match costs of imports and pressurising their governments to impose curbs on them. In the West these sectors constitute as strong an opposition to the WTO as the environmentalists. Then the camp gets stranger because now it is joined by leftists from the developing countries who see in the WTO a conspiracy to defraud the poor and unwashed. At Seattle the developing countries lost comprehensively because they were deprived of a forum to wrest major negotiating points from the G7. Now for the next round. •

Another bank deal

The shake-out in the new private banks has begun. Last month, the Jains sold TimesBank to HDFC Bank. Now, the grapevine in banking circles has it that the Hindujas, promoters of the problem-ridden IndusInd Bank, are trying to locate a buyer for their bank. And, from the initial buzz trickling in from investment banking sources, executing the deal will be far tougher for the Hindujas than it was for the Jains of TimesBank.

First, they have to contend with the exodus of quality employees. Besides, there is the bad quality of assets that have crept into their books, as also the resulting high level of non-performing assets (NPAs). Moreover, the bank has received regular strictures from the Reserve Bank of India (RBI) for not adhering to its norms. Remember IndusInd was penalised by RBI four times in a span of five years. On the other hand, the Hindujas had sold the bank dream at over Rs45 per share to the sizable Sindhi community, who are extremely upset over the fate of their investments. The only way the Hindujas can restore their reputation with the Sindhi community and others who invested in their bank is by selling the bank at a decent premium.

Finding it difficult to locate any buyer on Indian soil, the search has spread to banks in the US. Ironically, from the time the Hindujas commenced looking out for buyers (over the past three-four months) the scrip price moved up from the Rs17-18 levels to a high of Rs40 and is now hovering in the region of Rs27-28 on the bourses. The buzz is that the famous Pentafour and Global Telesystems bull has become active in this counter. Only time will tell how early and at what valuations the Hindujas will execute the deal. But in the interim the investors in IndusInd could well be in for a bonanza as the selling process is driving the stock price up.

BPL launches Indigo Music

The multi-crore RPG Group acquired the HMV label some time ago and has since managed to successfully turn it around. Now yet another big business group – BPL – makes its foray into the music label business. Christened Indigo Music, it will be launched in January. Indigo Music plans to start small, as it is looking at a low risk entry. But it will subsequently strive to grow volumes. BPL Telecom head honcho Rajeev Chandrasekhar is talking about outsourcing A&R (artistes and repertoire) which is the bulwark of the music business. "My core competence is distribution muscle for I have inexpensive channels in place. Now, we have to work on the software content."

Indigo Music is going to be regional film and pop-focused, but concurrently will not ignore Hindi film music "for that is where the money is". In this manpower intensive business, Indigo is developing a model whereby while outsourcing artistes, part management will be retained without compromising on ownership. The name of the game thus is going to be a synergy between the FM initiative (*see Focus section in this issue*) and the music label. More importantly, Indigo is ready to unveil its international tie-up shortly.

Birla MF to refocus Apple funds

Apple Midas and Platinum Share, which had been acquired by India's top-performing mutual fund Birla Sun Life AMC a while ago, are being given a makeover. The two funds with assets worth Rs70 crore, have now enhanced Birla's net asset base to Rs3,200 crore. The two funds – Midas (purchase price Rs32.23 on 10 December) and Platinum (Rs21.36 on 10 December) – are going to be turned into information technology and MNC specific funds, come year 2000. Unlike ITC Threadneedle and 20th Century, which merged as they had a common parent, Zurich, Birla's takeover of Apple Midas and Platinum was undoubtedly a first in this ever-burgeoning business. As Birla Sun chief investment officer Bharat Shah says: "We are now scouting for other decently performing funds which present an opportunity, but with a strategic fit."

In fact, the recently listed Birla Balanced Fund (purchase price Rs11.74), which has net assets to the tune of Rs400 crore (including appreciation), and Birla Advantage Fund (purchase price Rs51.44 on 10 December; net assets Rs650 crore), are the cynosure of the market these days. This consolidation activity is a must as many new players are expected to enter the mutual fund industry in the new year.

And now the Jimny!

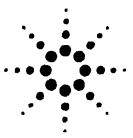
After the Toyota Qualis, the ever growing multi-utility vehicle market may well see another entrant. From around 2,000 vehicles in the late 1940s, the market is estimated to be 130,000 vehicles currently. With Maruti Udyog launching flanking and rearguard devices in the Wagon R and Alto, following it up with Baleno to plug all the holes in the marketplace, there is now talk of Suzuki's Jimny arriving in India to take advantage of the growing popularity of the 4-wheel drive (4WD). The Gypsy, which failed as a two-door 1,000cc 4WD was re-introduced as the 1,300cc Gypsy King, but this too has not made any headway in the face of the Mahindra Armada and Tata Sumo. Now, with Suzuki Motor Corporation chairman, Osama Suzuki, arriving in India, the buzz out of Maruti Udyog is that a variant of the Jimny will be the next launch from India's pre-eminent automobile major.

Enron plan

Energy major Enron has already announced its plans to enter the telecom sector in India. What has not been detailed, however, is what exactly it proposes to do. The company will apparently be getting into building the backbone. But, apart from the high speed optical lines, etc, Enron is also keen on setting up mini-farms of servers to host Internet sites. The aim is to emerge as a mini-Exodus (the US company run by K.B. Chandrasekhar that has been making waves). Exodus hosts several popular Internet sites including Hotmail and Yahoo! Currently, most Indian sites are hosted by US servers. Enron obviously hopes to change all that. ◆

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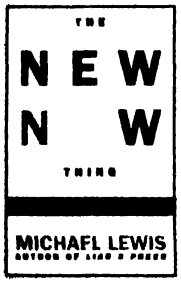
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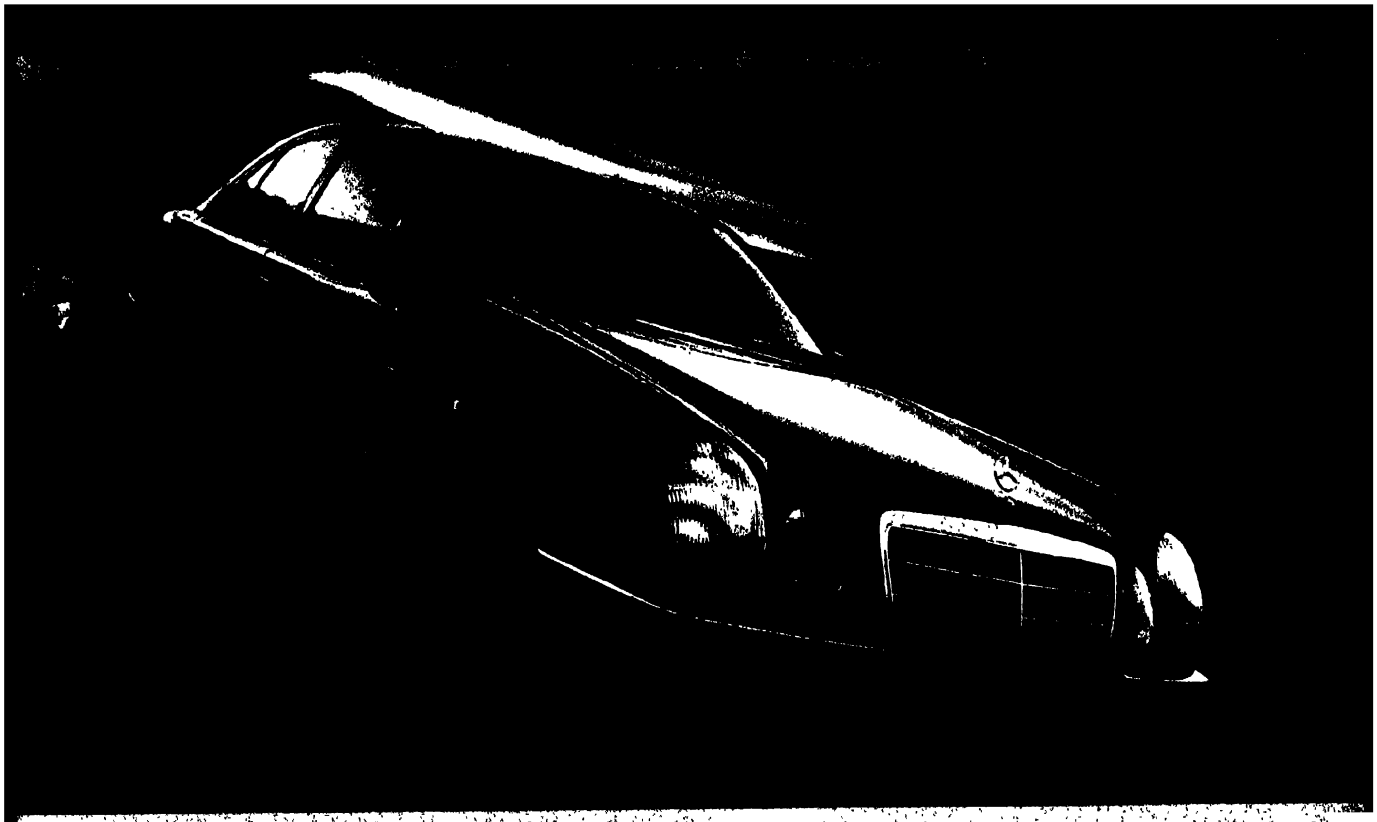


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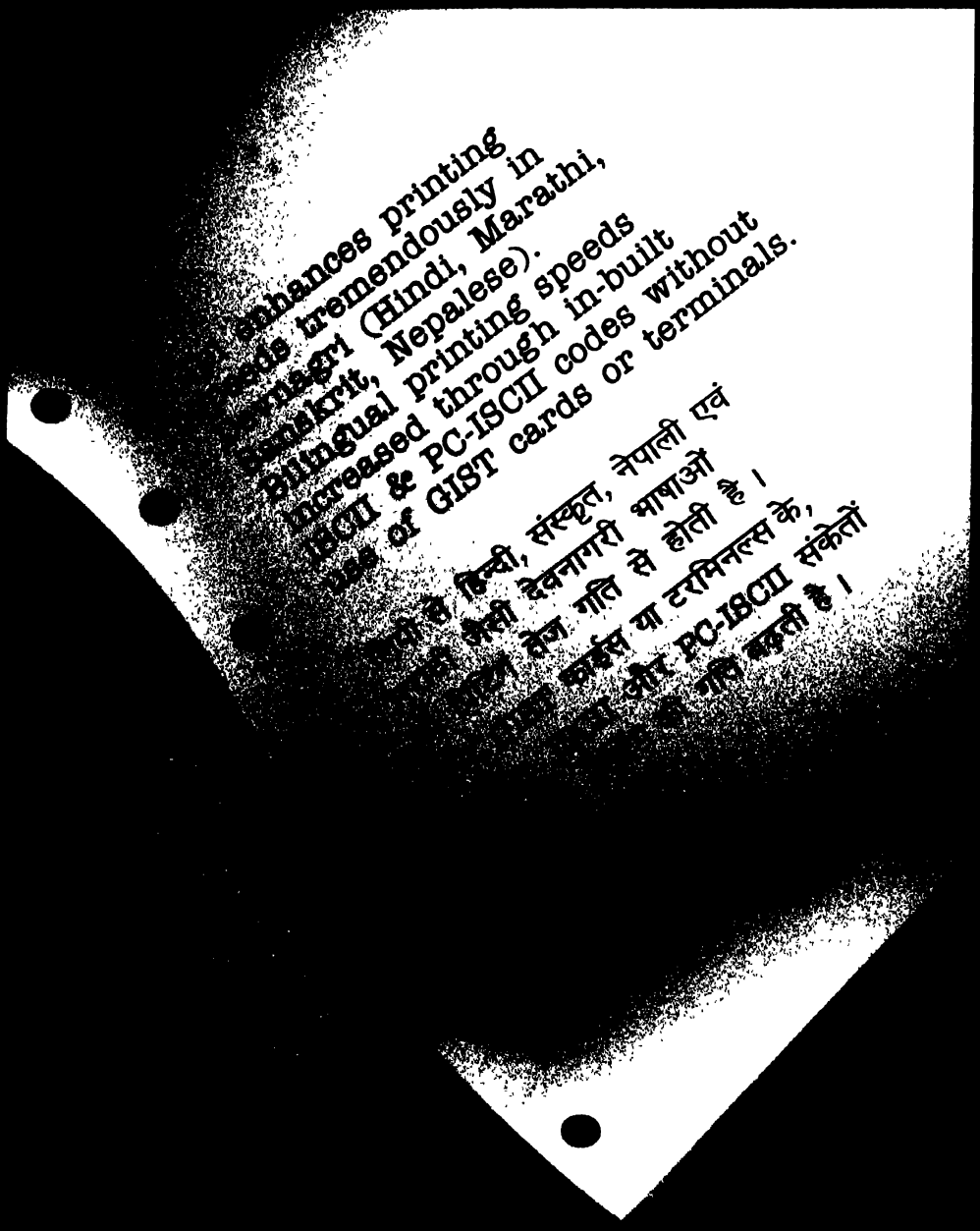
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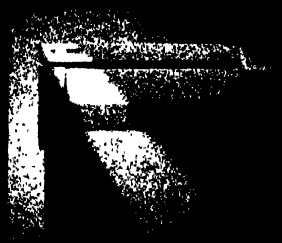
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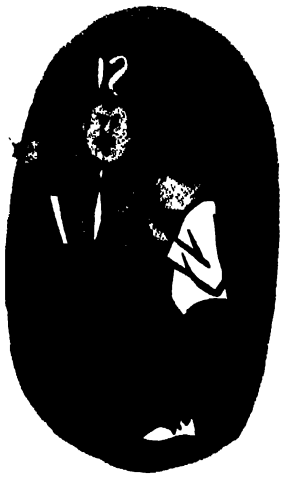
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Research for moppets ...Groceries go waste ...Computer users bugged

It was not too long ago that there was a debate in Indian engineering colleges over whether to allow the use of calculators during examinations. The slide rule brigade that held sway then argued that the electronic gizmos would give users an unfair advantage. Now there is a similar debate going on in the US (which is bound to be replayed in India sooner or later) about the use of laptops.

One of the arguments against the use of laptops is traditional: not all students have access to them. But there is a debate too at places such as Seton Hall University, where everyone has equal access to laptops. A mobile-computing project distributes identical laptops to all freshmen: 1,100 computers were given out this year. The computers' cost is



included in tuition fees.

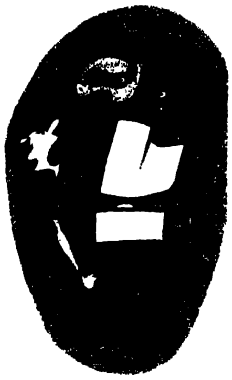
The issues being raised at such universities is that students have got so accustomed to doing all their work on computers that it would be unfair to force them to write in longhand. It is being contended that banning laptops would actually favour the techno-illiterates.

The other issue, of course, is that there is no controlling what a student may store in the hard disk of his or her laptop. Though professors argue that the issue is not about cheating (in most places this is governed by a honour code anyway; there are no physical checks), allowing laptops could be too much temptation. All examinations could end up being converted into open book exams. The subject is now being examined by a committee of students and faculty members set up by Yale University.

Meanwhile, the debate over the use of calculators is not yet over. Sophisticated calculators that can store formulae and other data are still banned during examinations in most US colleges. It works because it is possible to distinguish such calculators because of their size.

Even as network administrators and computer security firms prepare for the expected onslaught of a wave of Y2K viruses, a new virus – the MiniZip – has started making rapid inroads. MiniZip is a compressed version of Worm.ExploreZip, the virus that struck hundreds of thousands of computers at major companies in June. The virus has already affected computers at Banc of America and Disney's go.com. However, it failed to do much damage as it was detected in time.

On an infected computer, MiniZip reads the addresses of new and unread e-mail and automatically



sends itself as a response, changing the subject line from, for example, "Urgent response" to "Re: Urgent response." The body of the message reads: "Hi (recipient's name)! I received your e-mail and I shall send you an e-mail ASAP. Till then, take a look at the attached zipped docs. Bye." Opening these documents could lead to the destruction of several files on the computer's hard disk. The virus only affects machines that use Microsoft's Windows.

Meanwhile, even as viruses multiply, so do the hoax viruses. Some of the popular ones doing the rounds now are:

• Poor Dog: If you receive an e-mail titled 'Please help a poor dog', do not open it. It will erase everything on your hard drive.

• Happy New Year: On 31 December, 1999, you may receive an e-mail called, 'Happy New Year'. It contains a deadly virus; it will erase Windows from your computer along with many other programme files.

• Lump of Coal: On 25 December, 1999, you may receive an e-mail called 'Lump of Coal'. It contains a deadly virus.

Others along similar lines are: Microsoft Payment, Budweiser Frogs (which has been around for a long time now but is still going strong), Win a Holiday and Phantom Menace. These may be hoaxes; but should one call them Phantom Menaces?

Brian Wansink, business professor at the University of Illinois, has discovered a family in which a can of sardines was handed down from mother to daughter over 20 years and three generations. No. It's not a heirloom; the sardines were simply not used.

Wansink, who has conducted an extensive survey of why consumers buy products they never use, says that such "cabinet castaways" are pushed to the back of the shelf and are simply forgotten. What is singular about his findings is that most of these purchases are not made because of high decibel advertising forcing people to acquire something they do not need. Rather, most of these items were bought for specific situations which did not arise eventually. Also, in several cases, while consumers started with the best of intentions (such as preparing a complicated meal), they ran out of steam mid-course. The ingredients obviously remained unused, and, given human nature, were kept for a rainy day that never came.

This is not small fry, however; according to Wansink, as much as 12 per cent of the groceries bought in the US remain unused.

What's the best way to soothe a baby who has just been poked with a needle? Believe it or not, this has been the subject of extensive research at Poissy Hospital in France. Researchers studied 150



newborn babies and their response to pain when undergoing the taking of routine blood samples. They tried pacifiers, sweet solutions and a combination of the two. The conclusion: pacifiers work better than the sweet solutions, but the best bet is to use both. While babies and researchers are in full cry, there are unlikely to be any Nobel Prizes coming up for this monumental work. •

BUSINESS INDIA INDEX

Percentage of students pursuing professional courses in India who say that Indian public and private sector companies provide job security: **36**
Percentage of students pursuing professional courses in India who say that multinational companies provide job security: **28**

Chances that Indians in the 18-21 age group say that multinational companies should be allowed free entry into India: **40 in 100**
Chances that Indians in the age group 18-21 years say that policy of protectionism is good and healthy for the country: **84 in 100**



How Bihar and Uttar Pradesh rank among other Indian states in terms of number of undertrials languishing in the prisons: **1 & 2**
Percentage of custodial deaths in India that are caused by tuberculosis: **70**

How India ranks among 12 Asian countries in terms of pocket money received every week by children in the 7-18 age group: **12**
How India ranks among 12 Asian countries in terms of money received as gifts by children in the 7-18 age group in a given year: **12**



Chances that an Indian woman is physically or verbally abused for not preparing meals on time: **2 in 3**
Chances that an Indian woman is physically or verbally abused for not preparing meals according to her husband's liking: **1 in 2**

Number out of every 100 Indians in the 18-26 age group in Delhi and Ahmedabad who say it is becoming increasingly acceptable for unmarried couples to stay together: **79 & 73**
Number out of every 100 Indians in the 18-26 age group in Calcutta and Mumbai who say it is acceptable for unmarried couples to stay together: **66 & 43**



How Tamil Nadu and Kerala rank in terms of per capita consumption of liquor: **1 & 2**
Annual per capita consumption of liquor in Tamil Nadu and Kerala, in litres: **8.4 & 8.0**
How rum, brandy and whisky rank in terms of most popular drinks among Keralites: **1,2 & 3**

Chances that children under five in South Asia will go hungry in the year 2020: **40 in 100**
Chances that children under five in sub-Saharan Africa and Southeast Asia will go hungry in the year 2020: **33 in 100**

Number of Japanese pornographic sites, out of a total 3,000, that feature children: **1,200**
Chances that a child pornographic site available on the World Wide Web originates from Japan: **80 in 100**



Estimated net profit of Microsoft Corporation last year, in billion dollars: **8**
Estimated net profit of world's 445 largest software companies (excluding IBM last year, in billion dollars: **3**



Average number of British couples who get a divorce everyday: **33**
Percentage of uncontested divorces in Britain that are online and take place on the Internet: **6**

How Tony Blair ranks in terms of a British prime minister to father a child while in office in the last 150 years: **1**

Number of persons involved in an experiment to prove that footballer and rugby players may perform better if they have sex before a match: **80**
How soccer and mortgage on the house rank among thoughts on the minds of Italian couples while making love: **1 & 2**

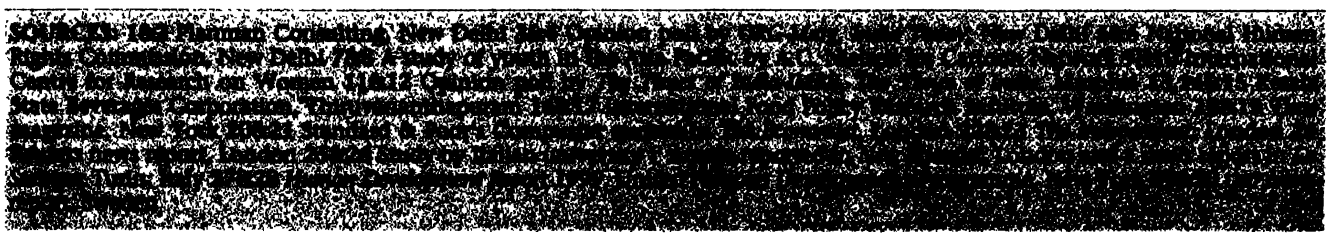
Cost of a three-minute telephone call from New York to London in 1930: **245 dollars**
Cost of a three-minute telephone call from New York to London in 1999: **35 cents**





Number of times a dog can donate blood in a year, at the rate of half a litre each time, to Europe's first blood bank for dogs set up in Sweden during November 1999: **3**
Minimum prescribed weight for a dog donating blood, in kgs: **27**

Compiled by ANOOP BABANI

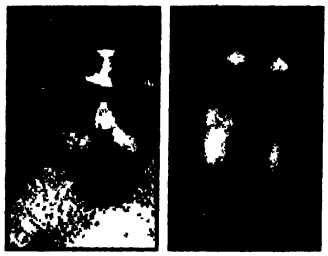


Site for managers

India's management community has acquired yet another niche Website catering to their needs and aspirations; **www.indianmanagers.com**, which was recently inaugurated by the guru of the corporate identity, Wally Olins, contains an indexed and easily accessible database of management-related information spread on the Web and boasts over 4,000 links in the field. According to promoter Sanjay Bapat, the basic objective is to give an opportunity to the individual Indian manager to create his/her own identity; to provide a platform for professionals in every field to raise issues, to debate present practices, and to keep them updated about the latest trends. Some of the sections include Knowledge Zone, investment, profile of managers, profiles of Indian and international business leaders, a media section providing links to various national and international newspapers and magazines, a trade page, important statistics relating to the Indian economy and the corporate sector, shopping mall, travel, etc. An interesting feature is My Page which tells the story of an entrepreneur or a manager. Currently, this page hosts Mukesh Ambani which tells surfers the *mantras* of his life. According to Bapat, two more sections will be added shortly — The Enterprise — where managers-turned-successful entrepreneurs will share their experiences, and the Women Manager. A site recommended for India's management fraternity.

Virtual pet cemetery

If you can't find a burial place for your loving pet in the real world, turn to the Net. **www.mycemetery. com/ my/pet.html** claims to be "the world's best known and most cherished online burial ground" for dogs, cats and other pets. According to the promoters, the site, which is up for sale with a price tag of $1 million on the eBay Internet auction site, plays host to thousands of visitors from all over the world every day who read and share the epitaphs. A



sampler: "Misty 1979-1988: Misty was a brown mutt. She was very loved. My parents had saved her from being killed by some people who didn't want her any more. My parents had her a couple of years before I was born. She passed away when I was 8 years old." According to founder, Steve Hoffman, the asking price of $1 million is justified because the site earns $150 a month from pet obituary listings.

India portal

This seems to be the season for India-specific portals with one more being launched recently. Named **www. indbazaar. com**, the promoters claim it to be the "first Indian family portal" and contains information on education, travel, personal finance, and consumer products among others. According to managing director Yashwant Zaveri, "we hope to provide a site packed with information, entertainment and communication channels targeted at Indian families. We will also introduce e-commerce facilities on the site soon." An interesting feature of the site is Indvillage, designed to build communities on the Net whereby visitors to the site can communicate with each other and be in touch through chat modes. The site also provides information on non-governmental organisations (NGOs), consumer rights, city-specific information such as ambulance services, police, fire brigade, hospitals, contests and bargains, etc. It also hosts counselling facilities on varied topics ranging from health and education to finance and food. The site also helps users compare different loans, calculations of EMIs, comparison of product features and so forth.

THE INDIA TERMINUS

ACC on Net

Finally, India's largest cement company has found itself a place in cyberspace. Recently, the Associated Cement Companies Ltd — ACC for short — launched its corporate Website **www. acclimited.com** which carries a profile on and history of the company; financial results; an exhaustive section on the company's research and consultancy activities; refractory business responsible for creating high-value refractory products for specialised customer needs; an online guide to its India-wide dealers' network; and even a facility to accept online job applications. The corporate Website informs us that ACC was established in 1936 and today its operations cover 11 cement factories, three refractory plants, 11 regional marketing offices,



12,000 employees, an annual turnover of Rs2,500 crore and installed cement capacity of 12 million tonnes. Its section on the environment informs the visitor that ACC has won several prizes and certificates of merit for the best environmental measures undertaken at its various mines, and that it has an environment division to plan and administer various environmental protection jobs not only for ACC but also for clients. A good effort.

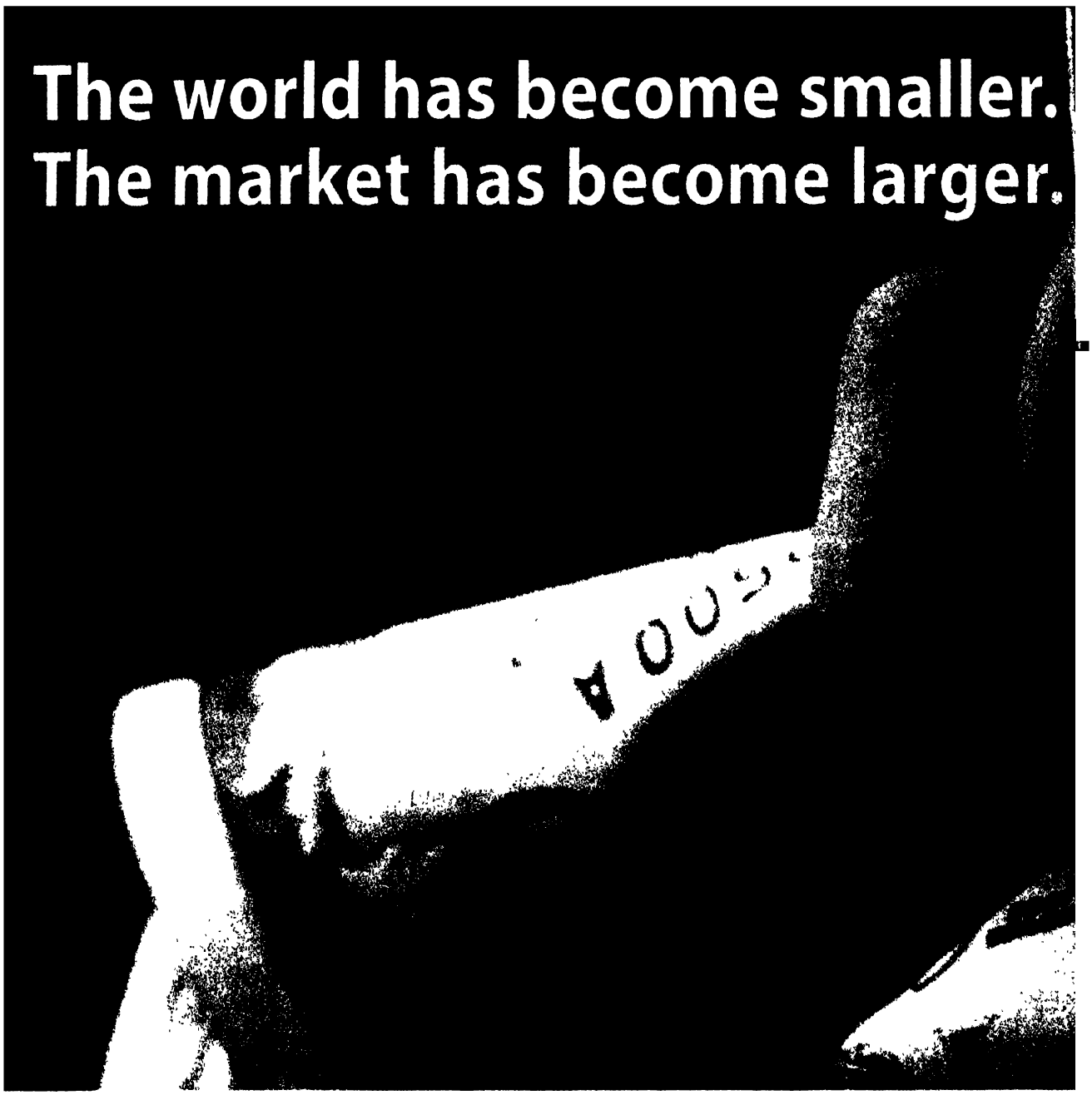
• *Compiled by* ANOOP BABANI

WebWatch

Satyam acquires IndiaWorld

It was truly the mega deal of the century. On 29 November, 1999, Satyam Infoways Ltd signed an agreement with IndiaWorld to acquire the India-specific portal for an astronomical sum of Rs499 crore in a two-step cash transaction which would eventually lead to the integration of IndiaWorld's popular sites — samachar.com, khoj.com, khel.com and bawarchi.com — with Satyam Infoway's portal satyamonline.com. According to Satyam officials, IndiaWorld is a perfect fit for the company. They reason that satyamonline.com registered an aggregate 13 million page-views in October 1999, a substantial traffic coming from India whereas IndiaWorld's Websites registered another 13 million page-views in October, most of it originating from outside India. The acquisition will be crucial to Satyam Infoway's portal business adding a large overseas Indian audience to the large India-based audience. At another level, the deal has generated heated debate on the valuations of the IndiaWorld by Satyam with almost everyone saying that the acquisition is hugely over-priced. Be that as it may, the deal has certainly rewritten the valuation norms for Indian Internet companies.

The world has become smaller. The market has become larger.



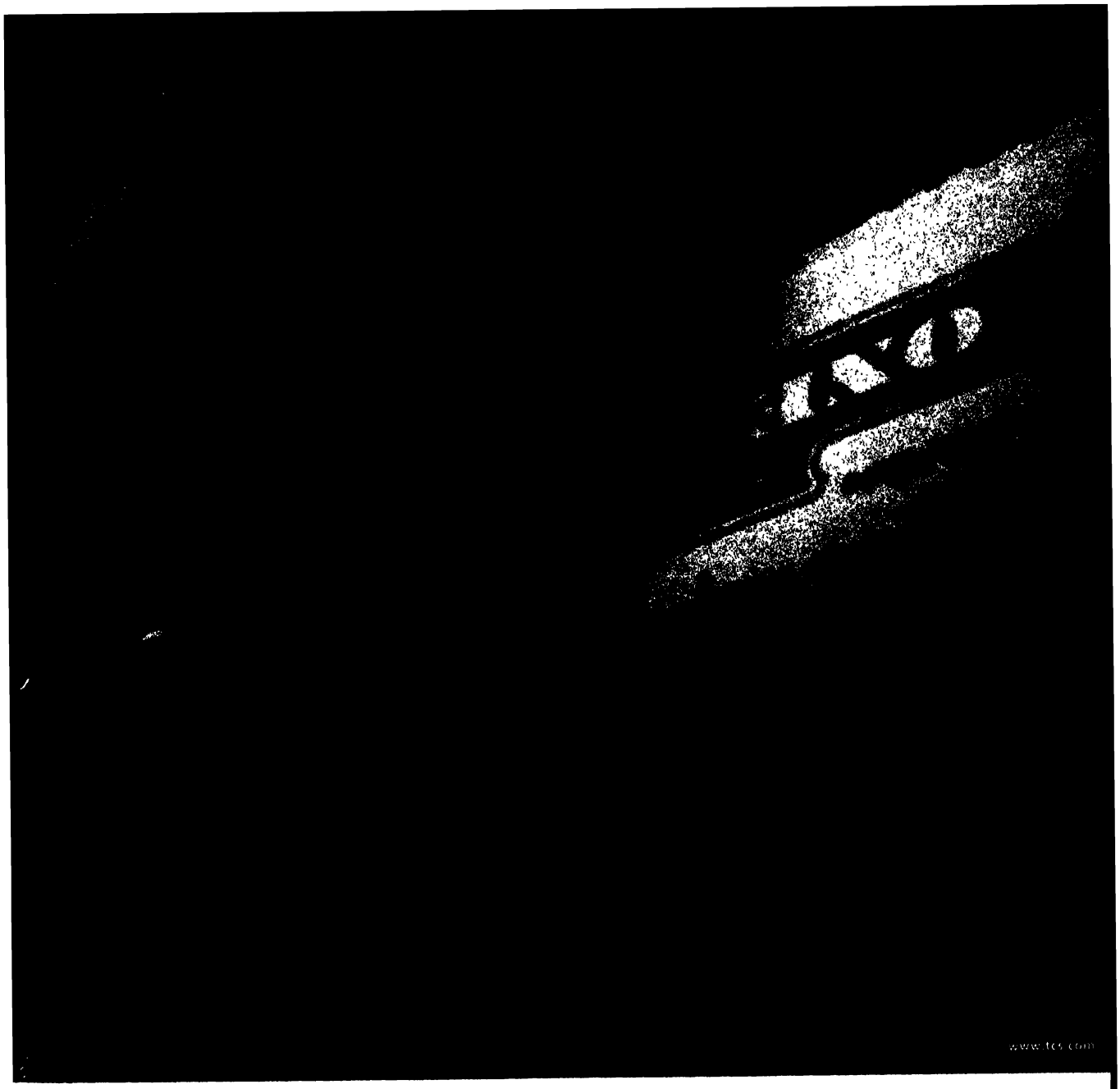
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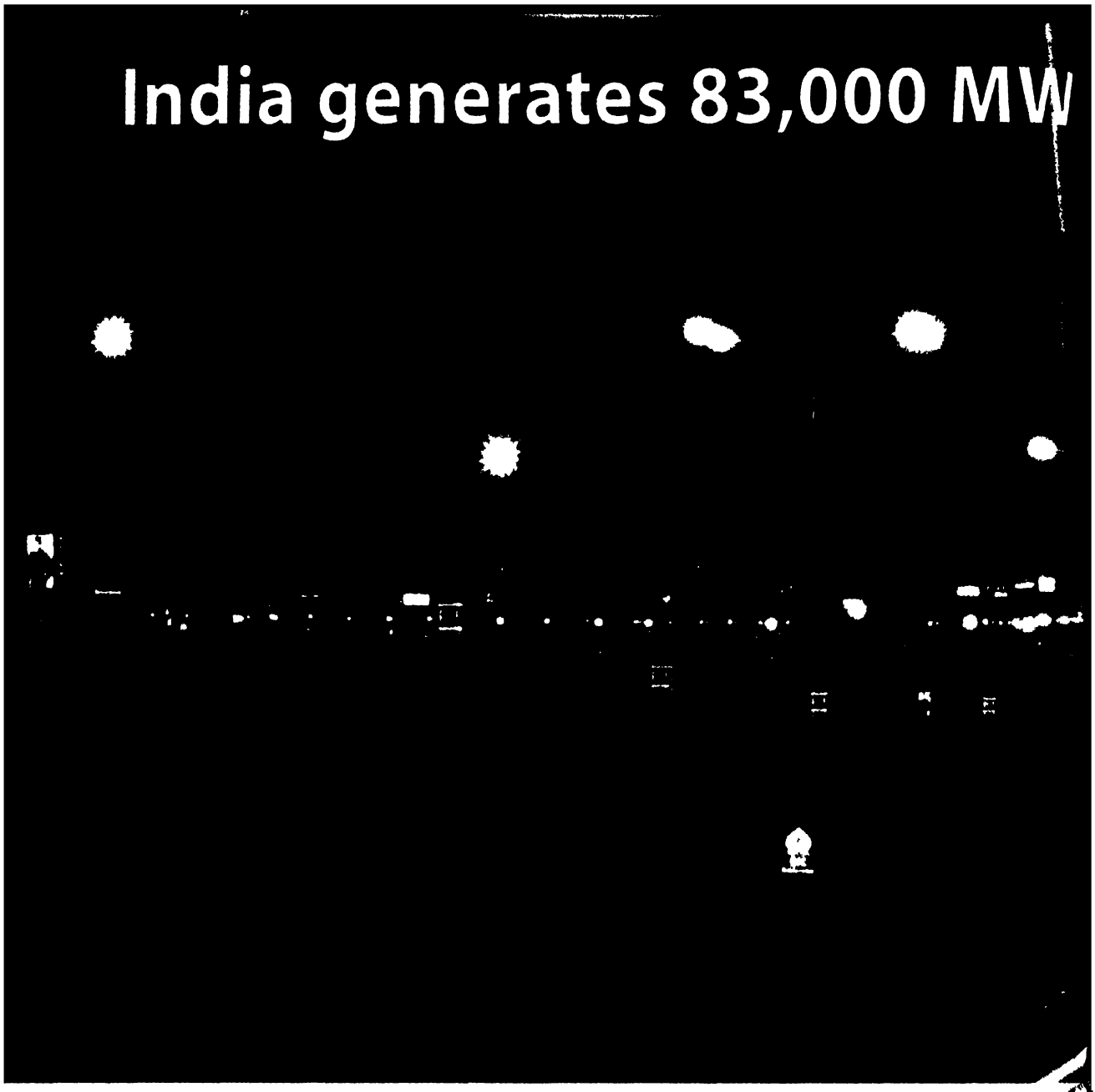
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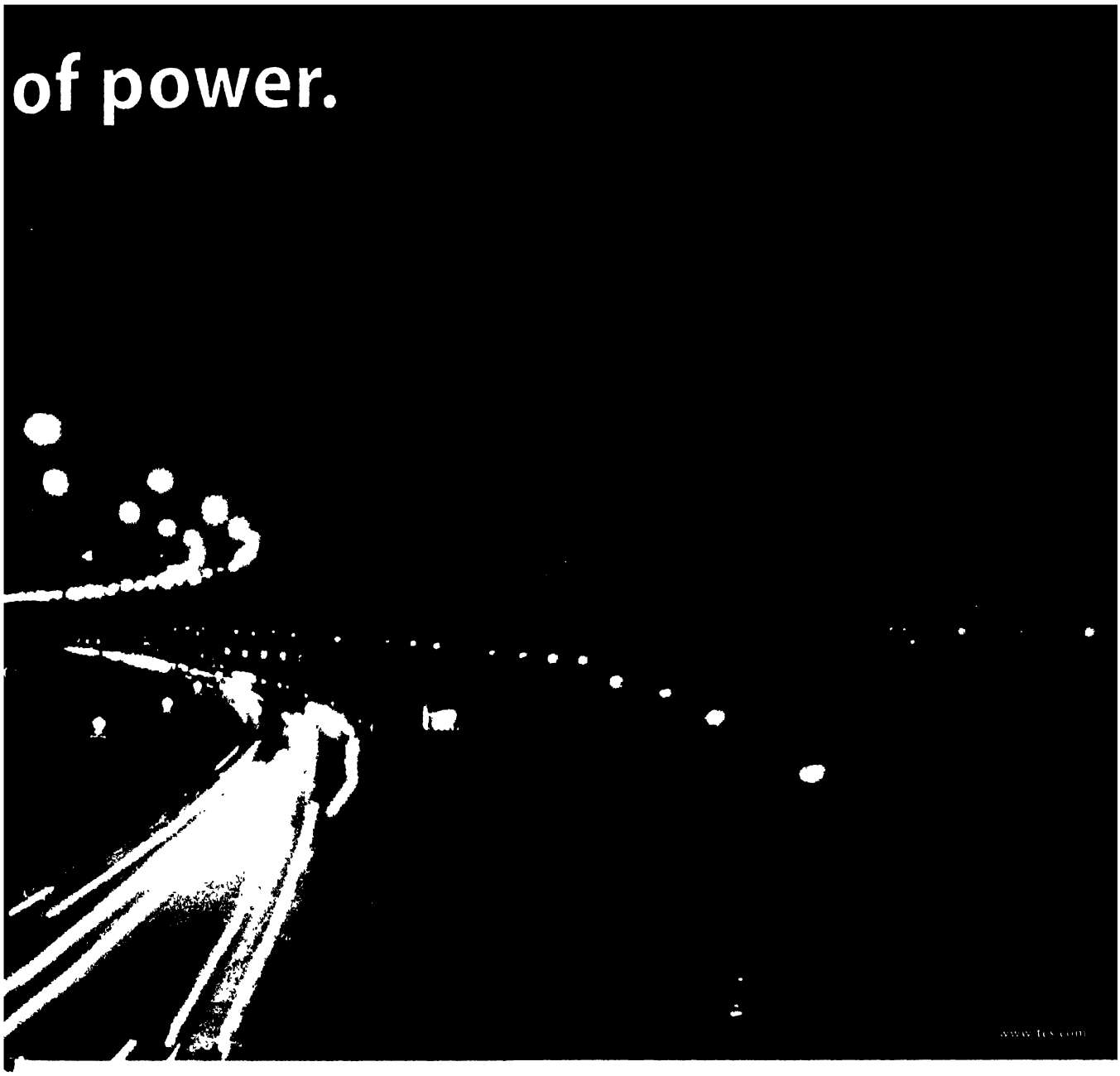
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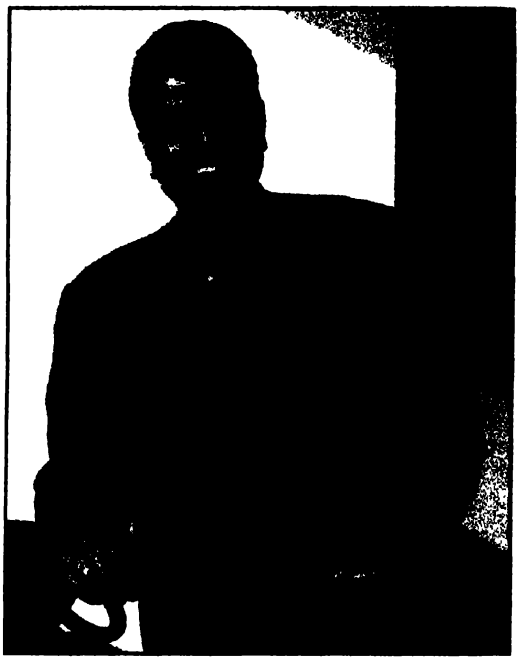
BHARTI BT
Satellite Communication Services

Bharti Telecom had taken the Indian partner's place when the British Telecom-Wipro JV for VSATs broke off two years back. The new BT-Bharti Telecom venture is going places

In September 1997, when British Telecom and the Wipro group's very small aperture terminal (VSAT) joint venture broke off we had written on the new entrant, Bharti Telecom, which took the place of Wipro. Many eyebrows were raised at Sunil Mittal's Bharti Telecom's entry into the scene. What sceptics did not realise was that Bharti Telecom and British Telecom (BT) were already partners in another venture – in the Delhi cellular service, Airtel.

In two years, the Bharti-BT satellite communication services company (the VSAT venture) has made much headway. For starters, when this 50:50 venture was flagged off, the equity base was Rs18 crore. In January 1999, this was enhanced to Rs30 crore with both partners maintaining the ratio. Secondly, the installed base of 140 VSATs has increased to 765, accounting for a marketshare of 30 per cent. This expansion took the Bharti-BT venture from the number four position in the market to the number two position.

What do these numbers translate into revenue terms? The company has logged in a 97 per cent growth in revenue over 1997-98, taking it to Rs25.53 crore. During the same period, the VSAT industry grew at the rate of 68 per cent. More recently, the company has bagged a large order from Highway Automation System (HAS) for 700 VSATs.



Sunil Mittal's VSAT JV with BT is making headway

• LANCELOT JOSEPH

Touché!

We recently reported on Deloitte Touche Tohmatsu's moves in India; and had stated that SB Billimoria & Co was one of the contenders for a tie-up with the global accounting and consulting firm. This tie-up has now happened

In the 6 September 1999 issue, we had reported Deloitte Touche Tohmatsu (DTT), one of the 'big five' international accounting and consulting firms had finally got its Indian act together. Having done so, it was now looking for new tie-ups. We had predicted that SB Billimoria & Co was likely to be the new partner.

Last fortnight, SB Billimoria formally became a membership firm of Deloitte's. It joins the company with three other firms. SB Billimoria & Co, along with CC Chokshi & Co, Fraser & Ross and PC Hansotia & Co, will now operate jointly under the name of Deloitte Haskins and Sells as member firm of DTT in India.

According to a press note issued by DTT's regional managing partner for the Asia-Pacific region, Robert Campbell, the strategic alliance provides for the pooling of the resources of the participating firms with common programmes for training, quality assurance, research and all support services. Each of the firms brings to the combine a common pedigree of client service, work culture and ethic along with professional experience extending close to 100 years. It will strengthen the geographic spread, widen the scope and areas of service and make available the combined resources of the participating firms to serve the existing and new clients of the participating firms and of DTT in India.



Campbell has now tied up with SB Billimoria & Co

In our earlier story, Campbell had said, "We're not interested in mergers just to bulk up. A boutique-type practice is fine with us". Obviously the second sentence held true for only that period in time.

• LANCELOT JOSEPH

Going apé

PIAGGIO

More than 2,000 Piaggio Apés are already on the roads of 16 cities and towns in seven states, Ravi Chopra, managing director of Piaggio Greaves Vehicles Ltd (PGVL), announces proudly. "And not only are these customers very satisfied, they are looking at repeat purchases and extending word-of-mouth support to their friends," Chopra claims. The Apé, launched in India on 31 July – five days after its UK launch – is also being exported from PGVL's plant at Baramati, Maharashtra, to a slew of countries including Argentina, Bangladesh, Brazil, Cuba, Egypt and South Africa, and has just been launched in Sri Lanka. The company, a 51:49 joint venture between the $1.3-billion Piaggio of Italy and Greaves Ltd, aims to export 10,000 Apés in the current year, and treble this figure in 2000 – its first full year of operation. "The Indian facility is our first production hub, not the second," asserts Enrico Dell'Artino, vice-president in charge of light transport vehicles (LTV) at Piaggio. "We want to use this plant to re-start our activities abroad, which were impeded recently because of high costs. Next year, we plan to export 20 to 25 per cent of the production here."

PGVL wants to change the profile of the Indian three-wheeler market from a predominantly passenger dominated one to a situation where cargo vehicles account for almost half the vehicle population in this category. The fact that the figure is just 20 per cent today is because no suitable technology or product was available so far, Chopra says. Now that Apé is available, demand has surfaced for specific variants for different cargo applications including courier services, poultry farms, LPG distribution and mobile shops. "The Piaggio strategy is very simple," says Dell'Artino. "We provide complete transportation systems for our customers." Adds Chopra: "There is a great demand for specific variants. We are developing more than 20 applications, and half a dozen of our special purpose vehicles are already in the market." The company, he explains, is not offering any generic variants, but customising them according to various niche needs.

According to Dell'Artino, Piaggio is also studying new products to cover the gap in the market between its existing 500-kg three-wheelers and the one-tonne vehicles. Capacity expansion at the Baramati plant from the current 25,000 vehicles a year will be on the basis of demand. "Investment won't be a constraint, Piaggio is committed to this facility and has already invested Rs65 crore here. The cost of the balancing equipment we need to add is very insignificant in comparison," Chopra says. With 125 dealers already benchmarked with the same standards as Piaggio's 16,000 worldwide, PGVL aims to achieve nationwide distribution within the next thee months, to take the Apé within easy reach of anyone who wants a diesel-engined three-wheeler for any application. The only one the 'bee' threatens to sting is the competition!

• SEKHAR SESHAN

Less than six months after it was launched (see Business India, 22 August 1999) the Italian 'bee' is buzzing busily in both Indian and various export markets

The insecurity ends

When the Securities & Exchange Board of India (Sebi) gave the approval for the securities lending scheme in 1997, it was feared that it would lead to the eventual death of *badla* financing. However, nothing of the sort happened; it was, in fact, the former which failed to take off. The main reasons for this were the low level of stock dematerialisation in India and lack of awareness of the product. The main glitch – of dematerialisation – has now been sorted out; more than 100 scrips, have entered the demat mode.

Also, last month, Deutsche Bank became the first foreign custodian bank to complete a "major" deal. Officials claim this to be the first instance of a foreign institutional investor (FII) lending shares under the securities lending scheme. Says Venkatesh Roddam, head of custody business management and product planning (India, Pakistan, Sri Lanka and Indonesia): "This deal denotes the confidence that FIIs have in the Indian market; such confidence will increase the demand for the product. This deal will also help develop the securities lending market." It is the FIIs who are expected to drive the volumes in securities lending.

There have been other cases of securities lending too. The National Stock Exchange Clearing Corporation (NSCCL) – a division of NSE – commenced securities lending in the past few months. The volumes, however, are minuscule. The National Securities Depositories Ltd (NSDL) is also reported to have done some stray securities lending deals.

It is clear that the scheme is finally ready to take off. With the allowing of derivatives trading and rolling settlement, on the anvil as of now, securities lending is expected to play a bigger role in the development and maturity of the equity markets in India.

• ROHIT RAO

In our 14 December 1998 issue we had said that securities lending could be the cure for the dull stockmarkets. The product is now showing signs of gaining acceptance

Appetising fare by Dishnet

The Internet market is currently the most fiercely competitive A few days back business newspapers reported that both MTNL and VSNL were reducing their Internet subscription rates by 15 per cent Close on their heels comes another initiative from Dishnet Dishnet will soon launch its education to home (ETH) Internet services in Mumbai It has specially targeted students and corporates with schemes titled Bingo and Jumbo

Bingo the scheme for students offers an hour of Internet access daily for five years or 1 825 hours for a one time fee of Rs4 000 This works out to Rs2 50 per hour Jumbo, for corporates and cybercafes, allows unlimited Internet access for a whole year, or 8 760 hours for Rs21,999 which works out to Rs2 50 per hour These two schemes are claimed to be the lowest priced in the market

Though the schemes are ambitious, for now (i e , by March 2000), Dishnet is targeting 35 000 subscribers It currently has around 2,000 registered users The company has not altogether forgotten casual Internet users For them it is offering block time packages from 25 hours to 500 hours with access rates starting at Rs11 50 per hour There is yet another scheme — for price conscious subscribers Midnight Magic Plus – from midnight to 9 am – offers a rate of Rs5 75 per hour

This is the time for Internet companies to grow aggressively And Dishnet is not about to let the opportunity pass On the anvil are plans to provide cable modems for less than Rs5,000 in the next two years expanding from four cities at present to 11 cities soon and going in for an initial public ofter

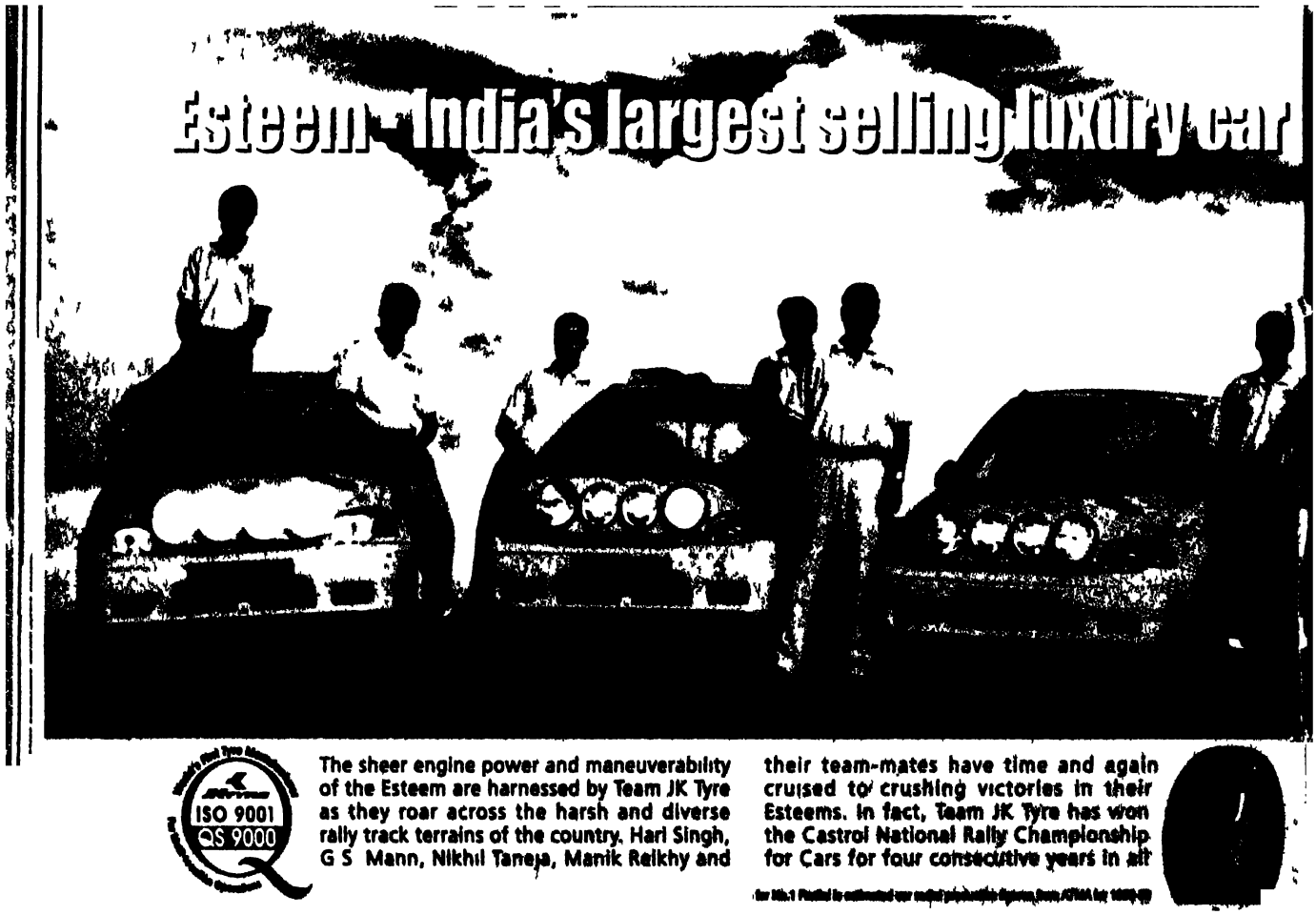
Come one, come all

The Net seems to have become the Mecca of the corporate world Lured by its sheer reach and the promise of the millions it can net, virtually every company of note today has a Net presence The latest entrants are rating companies Crisil and Icra Crisil, or the Credit Rating Information Services of India, has looked carefully before making the leap Its Net services are very comprehensive, to say the least

Crisil's aim is to be a one stop site for information on investments counterparty credit risk checks, etc It is currently offering trial subscription to a Web based delivery of financial content and credit risk modelling services The vehicle for this will be its Website, www crisil com Available at the site are details like the best debt instrument in terms of yield via the bond yield calculator, details of rates offered by NBFCs on their fixed deposit schemes, etc Besides, a link will give you not only ratings and interest rates offered by the NBFCs but also present a downloadable fixed deposit application form

The company is also planning links to brokers who will help you buy any of the listed debt instruments you may decide on after comparing their ratings and yields via the bond yield calculator In case of any important rating change, subscribers can have a real time chat with analysts and clarify their doubts

Competitor Icra calls its Internet initiative 'Icra Interactive' While Crisil is targeting retail subscribers, Icra is doing so the wholesale and institutional segments Icra Interactive makes available in an interactive form rating changes, press releases, ratings outstanding, Icra corporate reviews, reports, industry comments and its *Money and Finance Bulletin* A queriable facility is offered as is a facility to purchase parts of



Darbari Seth passes away

Darbari Seth, chairman-emeritus of various Tata group companies such as



Tata Tea, Tata Chemicals and Rallis India, died of a heart attack in London on 8 December. He was 79. Seth was on his way to Heathrow airport to catch a flight to India when he suffered the attack. Seth was known as one of the closest associates of the late Tata group patriarch J.R.D. Tata. He was the driving force behind the success of Tata Chemicals and Tata Tea. Seth, who was on the Tata Sons board till March this year, had served the group in various capacities for 50 years.

Harish Mahindra dead

Harish Mahindra, chairman of Mahindra Ugine Steel Co (Musco) and Kotak Mahindra Finance Ltd, passed away on 4 December after a protracted illness. He was 76. He is survived by his wife Indira, daughters Anuja and Radhika and son Anand Mahindra, who is the managing director of Mahindra & Mahindra. Harish Mahindra began his career at M&M, which was set up by his father Jagdish Mahindra and uncle Kailash Mahindra. In 1996, he set up Musco in collaboration with Ugine Aciers of France.

reports piecemeal. Icra Interactive also offers an opportunity to get automatic e-mail of any new updates on topics specified by the user. Besides Crisil and Icra, another rating agency, Duff & Phelps Credit Rating India, is also planning to launch its own Website shortly.

Sterlite to take stake in India Foils

India Foils Ltd, a member of Williamson Magor group, has decided to bring in Anil Agarwal and Associates, promoters of the Rs3,000-crore Sterlite Industries group, as strategic partners of IFL. At a meeting recently at Calcutta, the IFL board decided to issue equity shares to Anil Agarwal's group companies, enabling them to have a controlling stake of around 55 per cent of the enhanced equity of IFL. The company's paid-up equity is now placed at Rs17.34 crore. According to IFL sources, a meeting of the IFL shareholders will be held on 31 December 1999 for approval of the proposed preferential issue. Meanwhile, the Investigation wing of the Income-Tax department conducted a nationwide search on the Sterlite group. According to Income-Tax officials, the search covered 46 premises of which 25 were in Mumbai.

UTV's multi-pronged strategy pays dividends

United Television, one of India's leading software producers, has managed to achieve a programme mix of different genres on almost all satellite channels and DD. The latest is that UTV shows Saaya (Sony) and Hip Hip Hurray! (Zee) got an extension of 52 episodes on both channels, besides the fact that five programmes of Star are doing well. "Our programmes are always tailormade keeping in mind the channel personality and



viewer profile. Hence, the multi-pronged approach has worked, as care is taken to ensure quality and a lot of work goes into every minute detail," says Zarina Mehta, director, UTV. Interestingly, UTV now also has a spread of 66 shows in seven languages across 26 channels worldwide.

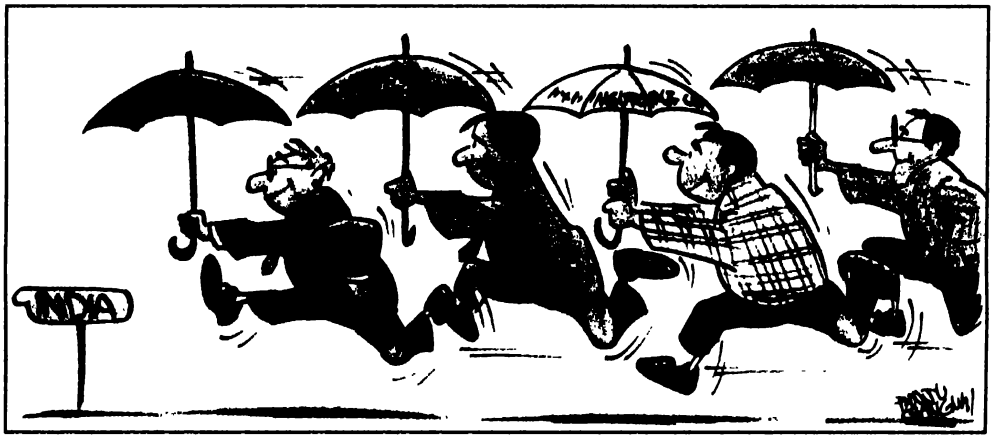
Now, the flood

Foreign insurance companies are heaving a sigh of relief. The insurance sector has finally been opened up for the private sector. With the Rajya Sabha too giving its clearance to the Insurance Regulatory and Development Authority (IRDA) Bill, the five-year long suspense has ended.

However, the deregulation does not come without any strings attached. Preference in registration will be given to companies providing health insurance. It would also be binding on the insurers to invest in the social and infrastructure sectors. Private companies, however, do not view these clauses as serious deterrents, waited as they have with bated breath all these years.

There does not seem to be any threat to the Life Insurance Corporation and the General Insurance Corporation as of now. They will not be privatised as the Bill does not provide for the dilution of government equity in the two organisations. A possible backlash against the deregulation has also been staved off. The government will not retrench existing employees of the two companies. It may be recalled that unions were up in arms against deregulation of the sector.

Another clause in the Bill is that Indian subsidiaries of foreign companies will not be able to participate in insurance ventures as 'domestic companies'. This is because the definition of foreign and domestic companies given in the Income Tax Act will be applicable. The government is hoping that the Bill will send strong signals to both the foreign and domestic investors, about the seriousness of its commitment to reforms.



Amara Raja bags DoT order

Amara Raja Batteries has received an order of Rs40.6 crore from the Department of Telecommunications. The order is for large capacity industrial batteries with communications applications. The current orders have Amara Raja fully occupied and the company is expected to execute the order as per schedule by February 2000. Incidentally, the results and sales in the previous quarter were affected by a delay in release of orders by DoT, but with the current order the company is confident of reversing the trend and registering normal performance in line with the company's plans, said an Amara Raja official. The company is also planning to expand the market for its products over a broader base of applications and to become a full range supplier of VRLA batteries by expanding its product portfolio.

Sical gets TNEB coal contract

South India Corporation (Agencies) Ltd (Sical) has won the contract for coal handling at Ennore Port, for the Tamil Nadu Electricity Board. The BOT contract is for a period of 20 years. Sical already has a contract for handling coal at the Chennai Port Trust for TNEB. The three-year contract expires next year. The Rs500-crore contract does not include the statutory charges that Ennore Port would be charging the company. Under the terms of the contract, these charges would be passed on to TNEB. Samsung of Korea will supply two high-speed cranes for the contract. Each crane is capable of unloading about 2,000 tonnes of coal per hour. Both cranes cost about Rs75 crore, including the customs duty.

Coke recast gets FIPB go-ahead

The Foreign Investment Promotion Board (FIPB) has allowed soft drinks major Coca-Cola India to go ahead with a plan to revamp its operations in the country. Following the approval, the company can now bring all its bottling operations under one roof – Hindustan Coca Cola Holdings Pvt Ltd. The plan also proposes to bring the Cadbury Schweppes brands and the corporate office under the parent, Coca-Cola India. The restructuring process is also likely to make some changes on the personnel front. At present, Coca-Cola's Indian operation has eight entities. Apart from Coca-Cola India, the soft drinks major has two holding companies – Hindustan Coca Cola Holdings Pvt Ltd and Bharat Coca Cola Holdings Pvt Ltd, both of which have two subsidiaries each. Britco Foods is another company belonging to Coke's Indian operations.

Cogentrix pulls out of Mangalore power project

US power major Cogentrix and Hong Kong power supplier CLP Holdings have pulled out of the 1,000 MW fast-track Mangalore power project. The companies have blamed delays in getting government approvals and resolving public interest litigation for the decision. The companies have issued a statement saying the Mangalore Power Company has decided to stop development of the project as it is no longer feasible.

The Mangalore Power Company is immediately closing down its offices in New Delhi, Bangalore and Padubidri.

Tata Tea to buy Tetley

Tata Tea's proposed acquisition of the UK-based Tetley is said to have been finally fixed at £270 million (approximately Rs1,900 crore), which is the same as the company's initial bid price for the world's second-largest tea company. The acquisition will be through an all-cash deal with the entire amount being paid upfront. This is the largest-ever acquisition by an Indian company. ◆



Get set for adventures on the high seas. The not-so-happening coastline and lake fronts in the country are soon to witness a range of adventure sports. Mumbai-based Inco Mechel, the promoter of bowling alleys in the country, recently launched the Sea-Doo range of jet water crafts such as jet skis, speedboats, and motor boats. "The leisure industry is in its sunrise stage. With these jet water crafts we hope to open up an avenue for people to engage in water sports," says chairman Rama Prasad Rata. The company sees tremendous scope for the sport. Plans are to be more organised than the previous attempt at launching jet skis at Mumbai's Chowpatty Beach. While the company has already sent personnel overseas for training, it will also guide companies and entrepreneurs who want to set up watersports centres. •



Can Fin Homes Ltd is the second largest housing finance company in India after HDFC, having already sanctioned Rs1,400 crore to over one lakh clients across the country. Out of these, around Rs200 crore have been sanctioned by just three offices in Maharashtra — two in Mumbai and one in Pune. Last fortnight MD Umesh Shenoy flew in from Bangalore for the inauguration of his company's second office in Pune, which will also be its fourth office in Maharashtra. Shenoy, who was upbeat about Can Fin's current performance, says: "Disbursements for the first six months ended 30 September totalled Rs95 crore. This is up 35 per cent compared to the same period last year. We expect the same trend to continue in the second half too and we should end the year with disbursals of Rs210 crore, sanctions of Rs250 crore, and a gross profit of Rs25 crore. If this happens, then the year-on-year growth in the current year would be the highest achieved by Can Fin Homes since its inception 12 years ago." While the real estate business is picking up, the competition in housing finance is hotting up too and margins are under squeeze, according to Shenoy. "And so, Can Fin Homes is planning to diversify into non-housing finance in the near future," he reveals. •



Photoquip India Ltd has been in the photography equipment business for almost five decades. The leader in professional lighting equipment with a 95 per cent market share, the company has sole distributorship of Italian major Manfrotto and Gitzo of France. Photoquip has intensively worked on research and development and created the digital Klik Prolab-812 in a manufacturing tie-up with Gretag Imaging, Switzerland. "We want to make our presence in India and sell aggressively in the Indian market, which is very big," says Peter Fitzgerald, president and CEO of Gretag Imaging. Photoquip will provide marketing support with distribution and after-sales service networks for their joint creation. "Our digital mini-lab is all set to take the Indian market as it is the smallest and the first 3-in-1 lab with a built-in film paper processor and a printer that requires just one square metre of space," said J P. Soni chairman of Photoquip. •

For Vijay Balaji and Ram Sukumar, directors of the V.D. Swamy Group, Indium Software marks more than a milestone in carrying the family's business baton. Indium is a symbol of the new age, and a big break with the traditional family core business, steel and trading. After his MBA at Rice University, Balaji worked with the US Telecheck and Sukumar with Simplex in Boston. The Indium tie-up with Compuware Asia-Pacific is significant for the niche area that the young businessmen have chosen — software testing. Indium will market and service QACentre, Compuware's successful software testing tool. Sukumar, upbeat about the partnership with the fifth-largest independent software vendor in the world, Compuware says, "Software testing is a growing need and we are happy that we are setting up this centre here." Indium has an authorised capital of Rs1 crore and projects a revenue of Rs500 lakh by the end of 2000. •

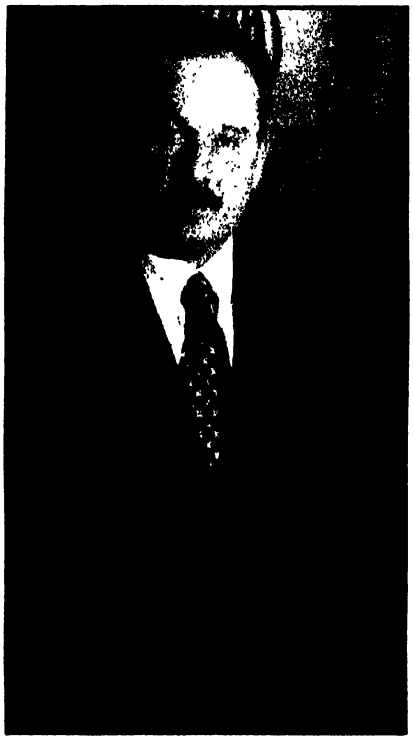




The elephant is over the moon! Pune-based Elephant Design has just bagged contracts to set up the exhibits for three biggies in India's automobile industry – Maruti Udyog, Bajaj Auto, and the Kalyani group – for the forthcoming AutoExpo 2000. "It is very exciting to work with the best minds in the industry," says the design consultancy's director Sudhir Sharma. "It's also a learning experience on how the industry will look in the next millennium." Elephant Design, which earlier conceived and set up the Bajaj Auto pavilion at AutoExpo 1998, has not only retained the country's premier two- and three-wheeler manufacturer's account but added two more feathers to its cap with the accounts of the biggest carmaker and a leading engineering group with a major presence in automobile forgings, hydraulic brakes, and other components. The AutoExpo motor show, organised by the Confederation of Indian Industry, is scheduled to be held in New Delhi in January 2000. •



Of ports and portals. Dot.com companies are springing up by the day. And they are considered to be a gateway to make money. But ask Nevil Darukhanawala and he says: "Since information is fragmented, one needs to put together a solid information infrastructure in order to plug into the world economy." His firm Webwork India recently launched a portal www.indiaport.com. His justification for putting up info on Indian ports and maritime info is: "Since ports and ancillary businesses are the entry point to trade in India, the site will become a showcase of Indian design, technology, and content integration to the world." Though maritime info has been made available, Darukhanawala is set to have online cargo tracking systems and insurance filing systems and other services which "would help the maritime community do business on the Web". •



Vnesheconombank (the bank of foreign economic affairs of the USSR) founded in 1924 is a specialised state-owned bank of the Russian federation and the only permanent participant in intergovernmental commissions on trade, economic operations, servicing sovereign foreign debts, granting state credits and issuing guarantees on behalf of the government of Russian federation. Recently the bank's first deputy chairman Vladimir Dmitriev visited India to participate in the celebrations of the 75th anniversary of his bank. But that's not all. His main agenda was to find solutions to the ailing Russian economy, which is struggling to keep its head above water with an external debt of over $150 billion. "Currently we do not have any plans to invest in India as we are scarce on dollar reserves. However we have strong rupee reserves, which emanates from the India-Russia trade, which we are leveraging to further boost the trade between the two countries. At present we are not permitted to deploy this funds in India and we are requesting the Indian authorities that we be permitted to do this," he says. "Once our economy improves we will also look at fund-based exposure in India." •



Iomega Corporation, the $1.7-billion US-based electronic data storage solution major, is planning to spruce up its after-sales service activity in India. Bobby Choonawala, corporate vice-president and managing director for Asia and the Pacific, was in India recently to launch the Zip 250MB USB drive, an ultra-thin mobile drive designed to meet the needs of both the Mac and PC user. "In recent times, sales of our drives have been growing faster than Indian PC sales. We are now focusing on making inroads into the receptive Indian market and exploring various options to strengthen our service activity," says Choonawala. Among the various options that the company is looking at are to service the local market through the company's call centre in Singapore or open its own service centre in India. The company is also exploring the option of third party outsourcing. •



His mission is to turn his company into a one-stop freight shop. Peter Quantrill, vice-president of Emery Worldwide, made a fleeting visit to India to explore the business potential here. Emery, a subsidiary of CNF Inc, a $5.6-billion *Fortune 500* company, is the largest purchaser of international airline space, according to Quantrill, and is on the verge of signing a contract to block space on Indian Airlines. He, together with Asia-Pacific chief Cyril Rodrigo, had all reasons to smile as the Indian arm has already made a dent in the Rs2,000-crore heavy freight transport and logistics market — in its very second year of operations the company has notched up revenues of Rs40 crore. "There are opportunities in each region and, with major trade links within Asia-Pacific, India is high on our agenda," says Quantrill. He plans to focus on industries such as telecom, auto, leather, and electronics "for providing total logistics support at the Indian end". •

Toshio Kimura, senior managing director of $10-billion Seiko-Epson Corporation, one of the world's largest printer manufacturers and a world leader in digital imaging devices, jetted into Mumbai recently. His message was that printing is fun. More importantly, he wants to promote the Epson range of printers in India not as an IT peripheral or office automation product but as a consumer electronics product, attacking the ever-burgeoning SOHO PC market. To achieve that, Epson has tied up with former Miss Universe Sushmita Sen as brand ambassadress. Kimura San has promised to be a very aggressive player in the Indian market. "We are not being stingy on advertising or marketing spends. We are strengthening our after-sales network; to 26 outlets at present we are adding 36 more by March 2000." Kimura reckons that the printer market is not as price-sensitive as the PC market. While global heavyweight Hewlett-Packard remains the market leader in India with a 50 per cent market share, Epson has leapfrogged from 12 per cent six months back to 20 per cent presently. The target is 35 per cent by 2001. The question is will technology and Sushmita Sen take it there? •

He spearheaded Nortel Networks' international research and development in India, China, Russia, Vietnam, and Brazil. Now Diju Raha who retired as Nortel's vice-president (international R&D) after a 30-year career, is chairman and CEO of Eximsoft International,which specialises in e-solutions, smart cards and payment systems, telecommunications, and client-server applications. In Bangalore recently to launch Eximsoft India (earlier Reliance Systems, set up by a group of former Verifone executives), he said the move will also help showcase Indian intellectual talent. Eximsoft already has facilities in the US, Switzerland, and Japan. "My vision is to establish Eximsoft as the preferred global brand for software products and services of the next millennium," Raha says. The Indian operation is already out of the starting blocks, bagging a $1-million contract for developing advanced business tools, products, and solutions for the US-based International Communication Technologies Group. The project will be executed over a 15-month period. ICT is setting up an independent company, 3D Business Tools Inc, to promote and market the products that will be supplied by Eximsoft. •



When the director of IBM's S/390 Platform Marketing visits India, there's good reason to believe that Big Blue has designs on this market. Brenda Zawatski was recently in Mumbai to launch the S/390 Multiprise 3000, a family of ground-breaking S/390-class servers that offer customers more than just new technology and a state-of-the-art operating system. These desk-side models, having a footprint of roughly half a square metre, combine the S/390 server platform's industry-leading strengths of availability and security with new hardware and software pricing that reduces acquisition cost by 50 percent or more, while ensuring that customers always have room to grow. Mainframes, or enterprise servers as IBM now prefers to call them, are an enterprise's first choice to run mission-critical applications, and where the sheer volume of transactions preclude the possibility of cheaper distributed systems such as Windows NT or Unix. •



Marriage of convenience

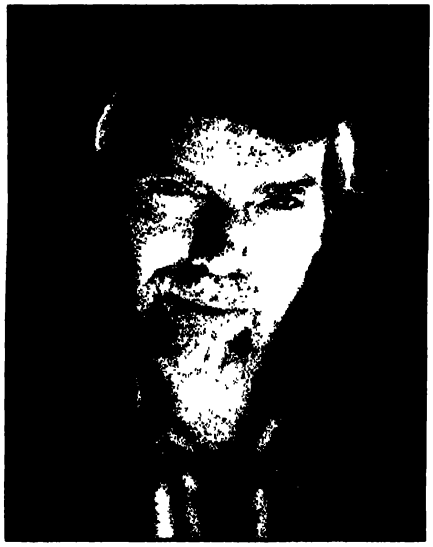
Virgin Atlantic is coming to India, courtesy the Maharaja. But how long will the honeymoon last?

Underscoring proverbial wisdom of your enemy's enemy being your friend, Air-India has entered into an agreement with Virgin Atlantic Airways, providing the British carrier an entry into the Indian skies. With characteristic wiliness, Virgin's legendary chairman Richard Branson has played on simmering differences between Air-India and British Airways to earn the coveted entry into the Indian skies for his own airline. In all probability the £678-million (Rs4,746 crore) Virgin Atlantic will start three flights a week between London and Delhi in July next year. A confident Branson predicts that it won't be long before Virgin starts operating daily services to India.

Air-India (A-I) has long been railing about British Airways (BA) establishing itself in the Indian market without adequately reciprocating in giving the Indian carrier attractive landing slots in London. BA currently operates 16 flights between Britain and India and has long been negotiating with the Indian government for a further increase in its frequencies on the India-UK sector. Direct flights between India and Britain have been chock-a-block for most of the year, leaving most passengers no option but to take circuitous routes, especially via the Gulf countries. A-I, the British carrier had argued, could not increase flights on the route because of lack of capacity. In fact, it was widely expected that the forthcoming bilateral talks between India and Britain on air services to be held in January 2000 would result in an increase in frequencies being finally allowed to the British carrier.

Moving with the instinct of an opportunist, Branson may have spoiled the party for BA by entering into a code-sharing agreement with the ailing Indian flag carrier. The agreement allows Virgin to operate three of A-I's currently unused frequencies between India and Britain. Of course, the code-sharing agreement entails that the three new flights will carry both A-I and Virgin Atlantic flight numbers and both airlines will sell seats on the three flights. "This agreement between our two airlines makes us partners," Branson explained expansively at a news conference, "but we will function like competitors in the skies."

Indeed, this marriage is unlikely to last long. In fact, Branson already confidently predicts an increase in Virgin's frequencies to India after the



Branson: opportunistic as ever

bilateral talks "with or without Air-India". The code sharing will last only as long as it suits Virgin. It needed a foot in the door and it has got that through A-I.

For now the Virgin chairman is laying it on thick. "Air-India," he says, "was once world famous and I am confident that Indian government's plans will help restore the airline to its former glory." Beleaguered A-I managing director Michael Mascarenhas for once looked pleased as punch. "I hope this arrangement with Virgin Atlantic will help A-I develop its product, learning from its innovative service quality," Mascarenhas said.

Indeed, Branson loses no opportunity in tom-tomming Virgin's service standards — which include inflight massages, beauty therapies, onboard bars, Nintendo games, and ice-cream with movies. But, more importantly, Virgin's entry could significantly lower the fares on the sector. Branson's *modus operandi* is to enter new markets on predatory fares and then establish himself with service quality. Recently, in Sydney, Branson announced that, looking at the pricing structure of flights to the Pacific, if Virgin Atlantic were to be allowed to operate flights to Australia it could halve the fares and still be in the black.

Currently Virgin, with its 29-strong aircraft fleet, operates to eight destinations in the US, three in Asia and the Caribbean, and one each in Europe and South Africa. Branson confidently predicts that his airline is likely to win its battle for several new routes that it wants to fly to in competition with BA. And what is the basis for his confidence? The last few decisions in bilateral talks with countries like China and South Africa have gone in favour of Virgin Atlantic. "The British government," he says, "wants to see competition on many of BA's routes and that seems to be a firm policy decision."

At the bilateral air services talks in New Delhi next month Branson is confident of winning the race for more frequencies between India and Britain. Civil aviation ministry sources say the speed with which Virgin Atlantic has got clearance for its flights is "astonishing". Many carriers – BA, KLM, Cathay Pacific, *et al.* – have been asking for an increase of frequencies to India but the Indian government has refused to play ball. A high-powered Virgin Atlantic team had come to New Delhi in mid-November to speak to civil aviation ministry officials and A-I top brass. Last week British deputy prime minister John Prescott (who is also the transport minister) met the same officials and, as Branson puts it, "paved the way for us".

After the formal signing of the agreement with A-I Branson could not resist a dig at his archrivals. "Let's raise a toast to British Airways," said the flamboyant Virgin chairman. Everyone, Mascarenhas included, was grinning from ear to ear.

• SANJEEV VERMA

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A celebration to endure

At the turn of the millennium, India's inept tourism planners still have a lot to learn. From Britain, perhaps

Still smarting from his unceremonious ouster as the civil aviation minister, Ananth Kumar is busy positioning himself as the new cultural czar. The cultural affairs and sports minister is busy digging up 'occasions' to launch cultural jamborees. Among the dates he has come up with is 26 January 2000, which he has realised is the 50th anniversary of India's birth as a republic. With just a few weeks to go for R-Day, he has asked his ministry officials to pull out all the stops and ensure that a memorable celebration is mounted for the occasion. Kumar's enthusiasm notwithstanding, it is difficult to imagine anything worthwhile being mounted to celebrate 50 years of India as a republic.

Indian politicians and bureaucracy are destined to trivialise yet another momentous occasion with a mere jamboree — remember the much-touted laser show at Raisina Hill to celebrate 50 years of India's independence in 1997? After the 1997 fiasco it was hoped that India would learn from the way other countries use historical milestones to create something enduring. From the looks of it, however, that remains in the realm of fantasy. Certainly, there is much that the Indian ministries and departments concerned — among them external affairs, tourism, culture, sports, information and broadcasting, *et al.* — can learn from Britain's millennium programme.

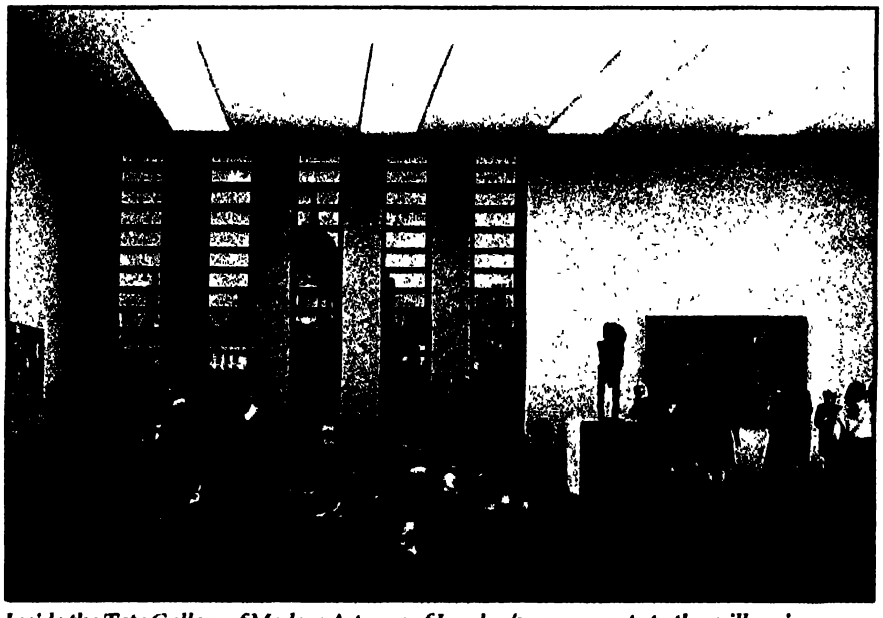
With careful planning and years of strategising, Britain would appear to be the destination to celebrate the dawn of the millennium. In fact, the planning of the millennium celebrations recall the Festival of Britain in 1951, which attracted some eight million visitors over a six-month period and transformed a bomb-damaged and polluted site on the bank of the Thames into the impressive South Bank Centre and the Royal Festival Hall. For the year 2000, the lead came from prime minister Tony Blair. Soon after his Labour government came to power in early 1997, Blair visited the Greenwich site – chosen as the centrepiece of Britain's millennium celebrations – and declared that the country should turn the derelict site into an unforgettable experience by mounting the finest exhibition ever seen. It could be, Blair declared "the most exciting happening in the world in the year 2000". The 50m-high Millennium Dome at Greenwich will celebrate British ideas and technology in a year-long exhibition. The mammoth £750-million project is bound to become a landmark on the country's tourist map.

Like the Dome, Britain has used the coming of the new millennium to build – and renovate – an impressive range of cultural and leisure assets for the future. The nationwide investment programme, according to information provided by the British Tourist Authority (BTA), is close to £4 billion. Largely backed by lottery funds, the country is coming up with many theatres, museums, and art galleries on the one hand, and science centres, waterways, sporting centres, and forests on the other. This renaissance of Britain's cultural and leisure assets, says BTA, will give millions of visitors new reasons to "explore Britain well into the third millennium". No wonder the millennium campaign is dubbed "More than a moment in history".

Britain's passion for football will be showcased in March in London's County Hall at the FA Premier League Hall of Fame. Glasgow's renovated Hampden Park Stadium, with a Museum of football, opens around the same time. Vinopolis, City of Wine, opens in May taking visitors into a unique journey through the story of wine, its actual bouquet and taste included in the experience. The Lowry Centre in Salford is a fairly unique waterfront arts complex and it opens in mid-2000. Alongside the celebrated Tate Gallery, starting June next year London can boast of the Tate Gallery of Modern Art.

There are dozens of other projects, ranging from arts and sports to science and environment, that are being completed as part of the millennium celebrations. All this apart, there will be fun and extravaganza too in the shape of pageants, fireworks displays, and parades and processions. The incongruity of a patchily-put-together laser show to salute 50 years of India's Independence has never been more acutely felt.

• SANJEEV VERMA



Inside the Tate Gallery of Modern Art, one of London's monuments to the millennium

AN MANUFACTURE

Strife between the sectors



SAJAL BOSE

It doesn't take much to make a fan, and the unorganised sector is making the most of it

The war between the unorganised industrial sector and the organised is of long standing. Over the years, manufacturers in the organised sector believe, government support for the small-scale sector has often disadvantaged them particularly in respect of excise duty, making it difficult for them to compete price-wise. The fan industry, one of the country's oldest manufacturing industries, is perturbed at the mushrooming of small and cottage-scale operations which it feels have steadily impinged on its territory, making it difficult for bigger manufacturers to survive.

S.K. Khaitan, vice-president of the Indian Fan Makers Association, cites the example of several prominent units — GEC, Rallis India, DLF Universal Ltd, or the sick Jay Engineering Ltd belonging to the Shrirams – having had to shut down their fan-making operations. He laments that the organised fan industry has seen hardly any growth since the last few years. The industry grows at an average of 10 per cent a year, but signs of manufacturers waiting to close down operations can't be seen as encouraging, says Khaitan, who is chairman of his own fan company Khaitan Electricals, which had a turnover of about Rs120 crore last year and is rated the third largest fan company in India with a country-wide marketshare of 15 per cent in the organised sector.

"Myopic government policy is to blame," says Khaitan, who will soon take over as president of the Bharat Chamber of Commerce. "While initiatives for the small sector are important to help it develop and grow, there should be a more equitable taxation policy," says Khaitan. The total tax burden – 16 per cent in excise and another 12 per cent in sales tax – has virtually crippled the industry.

Of a market estimated to be worth Rs1,800 crore, nearly 60 per cent is controlled by the small-scale sector, which has in the course of the last decade made a significant foray into the crucial rural and semi-urban markets where the organised brands find themselves outpriced. According to IFMA figures, the unorganised sector produced 130 lakh units last year while the production of the organised sector stagnated at 90 lakh. The 16 per cent excise duty has been brought about largely as a result of the excise rate in the previous budget. *Ad valorem* rates were rescheduled and electric fans were found to attract a duty of 16 per cent. Referring to fans as an essential consumer item, IFMA petitioned the finance ministry early last month to lower the excise on fans to about 8 per cent.

The excise duty played a major role in the price-sensitive fan market with the difference between branded and non-branded fans widening further. While branded fans vary between Rs900 and about Rs1,700 on an average depending on the type of fan and size, non-branded fans sell at exactly half and possibly even less. "In the process," says Khaitan, "quality is compromised." Non-branded fans have single ball bearings compared to branded fans, which have double ball bearings for smoother running. They also consume more power than the branded ones. That evidently doesn't hold much weight with the rural consumer.

Apart from this, Khaitan points out, the bigger manufacturers have higher overheads as they employ a larger permanent workforce. This not only calls for better wages but also statutory benefits — engineers have to be paid and marketing personnel too, which are all included in the costs. While the focus is currently on cost-cutting for survival, bigger companies are nevertheless still disadvantaged, says Khaitan, as promotion and marketing costs, which are roughly 15 per cent of turnover, need to be absorbed as well.

With intense price competition amongst the branded producers, various fan companies offer different schemes with discounts to attract customers. Khaitan, for example, spends roughly Rs10 crore annually towards sales promotion, as do other big manufacturers. Given the price constraints in the domestic market and inability to cash in on the potential of the rural markets, the larger fan manufacturers are looking at the export markets, especially Bangladesh, Sri Lanka, and the Middle East.

One of the ways to promote growth in the domestic sector, Khaitan suggests, is to regulate the unorganised sector — allow either excise concession or exemption only to those units that are certified by the Bureau of Indian Standards as having the requisite infrastructure to produce fans as per IS specifications, or alternatively charge all small-scale manufacturers excise at a lower rate. This will not just check leakage of excise revenue but also put an end to garage units set up just to avoid excise.

• MADHUMITA BOSE

THE NAVY

A maritime millennium celebration

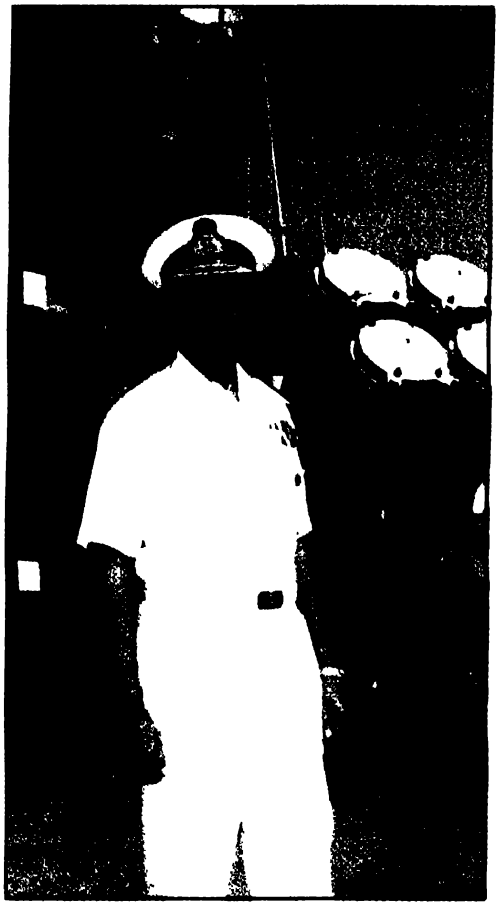
The Indian Navy is bracing itself for a grand reception to the new millennium when it hosts an unprecedented international fleet review in February that year involving the navies of some 20 different countries.

Vice-Adm. Madhvendra Singh, flag officer commanding-in-chief (FOC-in-C) of the Western Naval Command (WNC), was understandably buoyant as he announced what he termed "this major mega event" that will celebrate the golden jubilee of the Indian Republic as also the new millennium. Speaking to media representatives on board the indigenous missile destroyer *INS Mysore* on the occasion of Navy Week, Singh mentioned that the largescale programme will be reviewed by the President and will take place on 17 February in the naval anchorage off Mumbai, the base of the WNC, the sword arm of the Indian Navy. The fleet review will also have a flypast by fixed-wing and rotor craft of the diverse navies.

The Indian Navy will also hold an international naval seminar on 15 February on the theme *Building Bridges of Friendship*, the C-in-C stated. On 18 February will be a grand parade on Mumbai's Marine Drive seaside promenade by naval personnel of all the participating navies, and will be accompanied by a ceremonial flypast and sailpast. "It is customary for India's President to review the naval fleet at least once during his tenure," Singh remarked. "The coinciding of the golden jubilee and the new millennium prompted us to opt for a grander presentation involving warships of other navies as well."

The C-in-C indicated that the joint operation by the Navy and the Coast Guard in apprehending the hijacked Panamanian flag cargo vessel *M.V. Alondra Rainbow* 430 km off Goa on 16 November elicited much acclaim from the international maritime community and defence minister George Fernandes visited Mumbai specifically to commend the two seagoing services on their success.

He said the proposal for setting up a third operational command, the Far Eastern Command, in Andaman and Nicobar had been abandoned as such an outpost was not deemed necessary. The Navy currently maintains a Fortress Command there which does not berth any major warships. He said the 547 islands, islets, and atolls of this far-flung enclave were rich in marine and timber resources and attracted poachers and gun-runners, but the current naval presence was quite up to the task.



JAWAHAR GOSWAMI

Singh says the event will welcome the millennium and commemorate the jubilee of the Republic

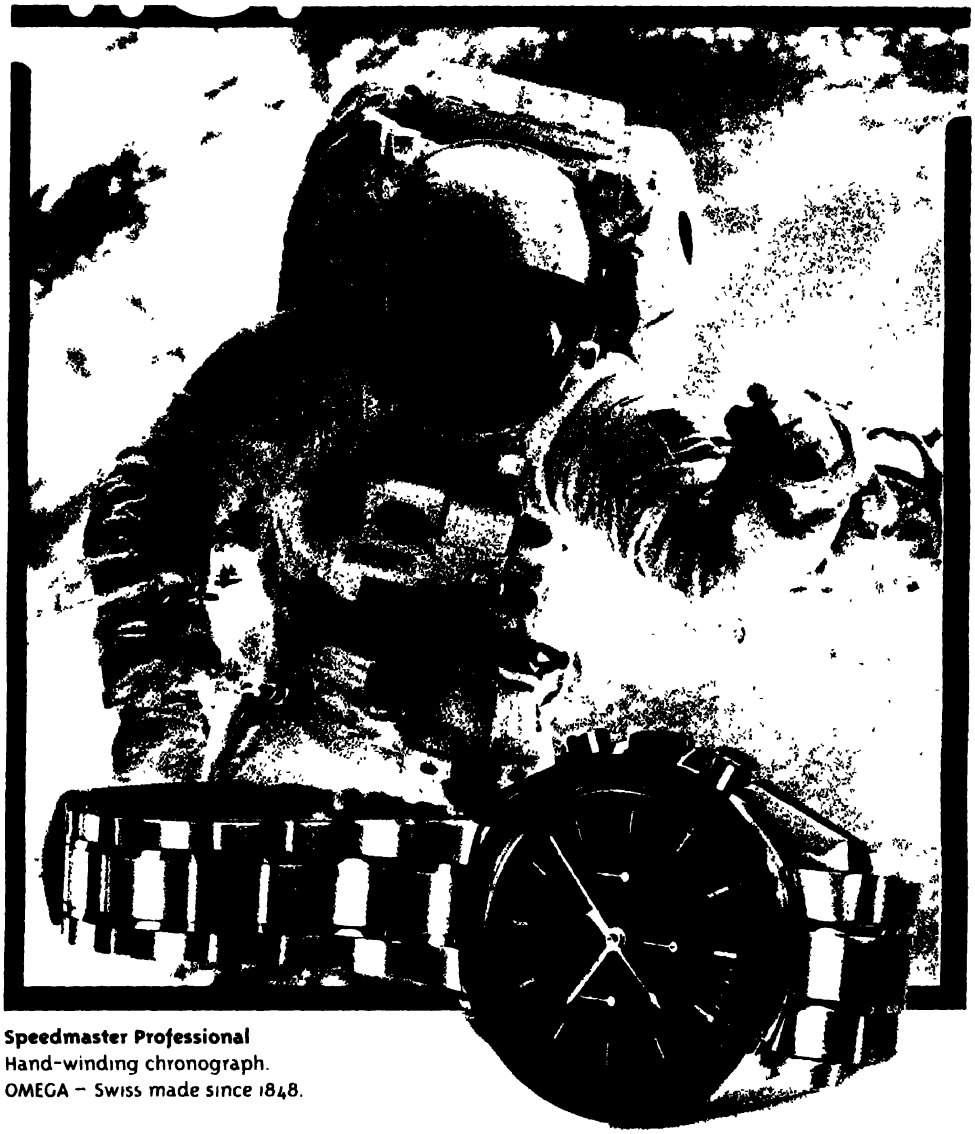
Referring to the Rs1,500-crore aircraft carrier classified as "air defence ship" which had been cleared for construction by the Centre last year, Singh said its final designs were now being readied after which the shipyard where the keel will be laid will be identified. The ADS, with a flight deck of 225-250 metres, will exceed 24,000 tonnes and will stable 10 Light Combat Aircraft, four Advanced Light Helicopters, and two utility Chetak helos on board. "The keel will be laid within the next two years, but by the time the ADS is commissioned, presumably 10 years from now, our solitary carrier *INS Viraat* will have been paid off," Singh regretted. "Even if we eventually purchase the Russian carrier *Gorshkov* by then, we will remain a two-carrier Navy when the dire need is for three carriers, one for each of the western and eastern seaboards, and the third as standby."

Viraat is currently midway through an extensive two-year refit at the Cochin shipyard and will be rejoining service by the February 2001 international fleet review, the admiral pointed out. The 28,000-tonne flat-top is supposedly the world's oldest carrier still afloat, its keel having been laid way back in 1944 and commissioned into the Royal British Navy as *HMS Hermes* in 1959, before it donned the Indian ensign on 12 May 1987.

Replying to a question, he said much interest had been roused in Indian naval technologies at the International Defence Exhibition '99 at Abu Dhabi in March this year, with some of our visiting warships eliciting numerous queries. Singh himself headed the naval delegation to this exposition and the Indian flotilla included *INS Viraat*, the tanker *INS Shakti*, destroyer *INS Ranvijay* and the latest indigenously crafted missile corvette *INS Kora*. "There were many queries for the 1,400-tonne *Kora*, built by GRSE and commissioned on 10 August 1998, Singh said. "It is undoubtedly one of the most powerful ships of its kind in the world with 16 sea-skimming long-range surface-to-surface missiles on board and a speed capability of up to 26 knots."

◆ SAROSH BANA

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PERMIT ROOMS

Tax tribulations

Don't renew your licences yet, appealed a circular to the 5,600 members of the Mumbai-based Indian Hotel and Restaurant Association (AHAR) last fortnight. "Our annual eating-house licences from the Brihanmumbai Municipal Corporation (BMC) are due for renewal," explains AHAR president Ravipalsingh Gandhi. "But we are waiting for our case to come up for hearing in the high court; and if many members go in for renewal despite the problems we are facing, it will weaken our stand against the Maharashtra government's astronomical hike in the excise licence and renewal fees for bars and permit rooms."

The permit room fee, Gandhi points out, was Rs15,000 a year when introduced a few years ago, and has since gone up to Rs88,000. Last year the government trebled this to Rs2.64 lakh — and affected restaurateurs went to court all over the state. The Bombay High Court directed the government to collect only half this till AHAR's writ petition is heard. Meanwhile, AHAR went to court against the 13 per cent sales tax (ST), 1 per cent surcharge, and 1 per cent turnover tax imposed in addition to the excise duty on liquor. It also approached the Supreme Court, which issued a directive on 26 March 1999 that the case be given an immediate hearing. "But the high court ruled that all the other cases filed in the state be brought to Mumbai," says Gandhi. "This took time; now there are too many cases on the board, so our hearing has been put off till after the Christmas vacation."

The association's woes do not end here: the increase in ST on food, including cheap and popular items like *idli*s and *vada*s, which are being taxed for the first time, puts an unbearable burden on the smaller eateries, it says. And with the 66.5 per cent increase in LPG prices from Rs281 to Rs468 per commercial cylinder, the small restaurants have to spend Rs2,000 more for the four cylinders they need every day. These establishments have no option but to pass on the cost to their patrons, Gandhi points out.

After the state government, it is the local authority. The BMC requires a multiplicity of licences – health, shop and establishment, neon sign, gradation, fire, and so on – with the overt and covert costs attached to each. Worse, these must be applied for afresh after even a minor renovation. "We need to refurbish our premises at least every five years," Gandhi says. "We have to do the rounds every time, even if we don't make any structural changes."



Taxes are not the ahar *of life, says Gandhi*

What do they get in return? The BMC has hiked the water charges for commercial users. A recent study shows that 60 per cent of the water any restaurant uses is given free for non-customers to drink, Gandhi claims: so the trade should get half its water at domestic rates. Another grouse is the hawker menace, to which the BMC and police remain silent spectators. On top of everything is the nine-fold jump in 'trade refusing' charges levied by the BMC to clear the restaurants' garbage. "What extra service are they providing for this?" asks Gandhi.

On the excise and ST front the association has offered the government what it claims is a much better alternative: collect both at the distilleries. "There are more than 18,000 establishments in Maharashtra, and only 12 distilleries," Gandhi points out. "They can easily ensure better revenue by avoiding evasion; and save money spent on 5,000-odd ST officers." Besides, the government had agreed in 1974 to include the then 4 per cent ST on liquor in the excise duty at the manufacturers' and distributors' levels. So today, he says, every drinker is being taxed twice!

"We have reached a stage where hoteliers are surrendering their liquor licences because business is no longer feasible," Gandhi insists. "Twelve licences were not renewed last year, and we expect a figure of 40–100 this year. Many bars are serving 'quarters' at wine-shop rates just to keep their customers." What if the problems aren't solved? Another trade bandh, like the one on 16 March 1998, when AHAR claims a turnout of 78,000 for the rally at Azad Maidan? The harried Mumbaiite, rushing between home and workplace in overcrowded suburban trains and buses stuck in traffic jams, will just have to grin and bear the additional inconvenience of going without his cuppa and his *chhota*.

• SEKHAR SESHAN

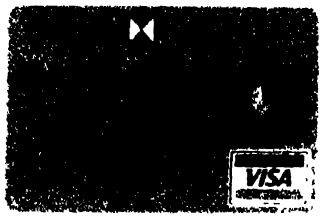
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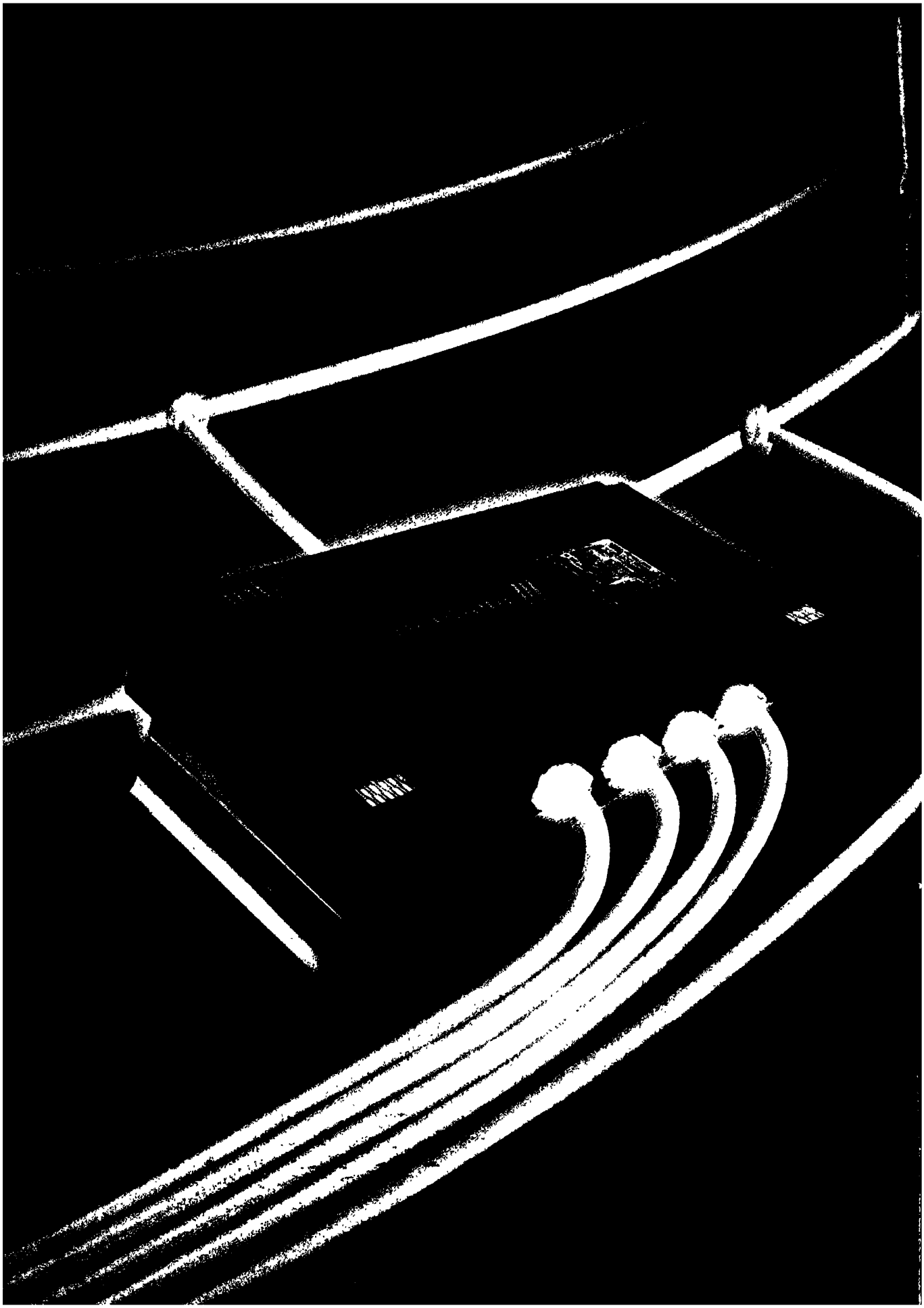
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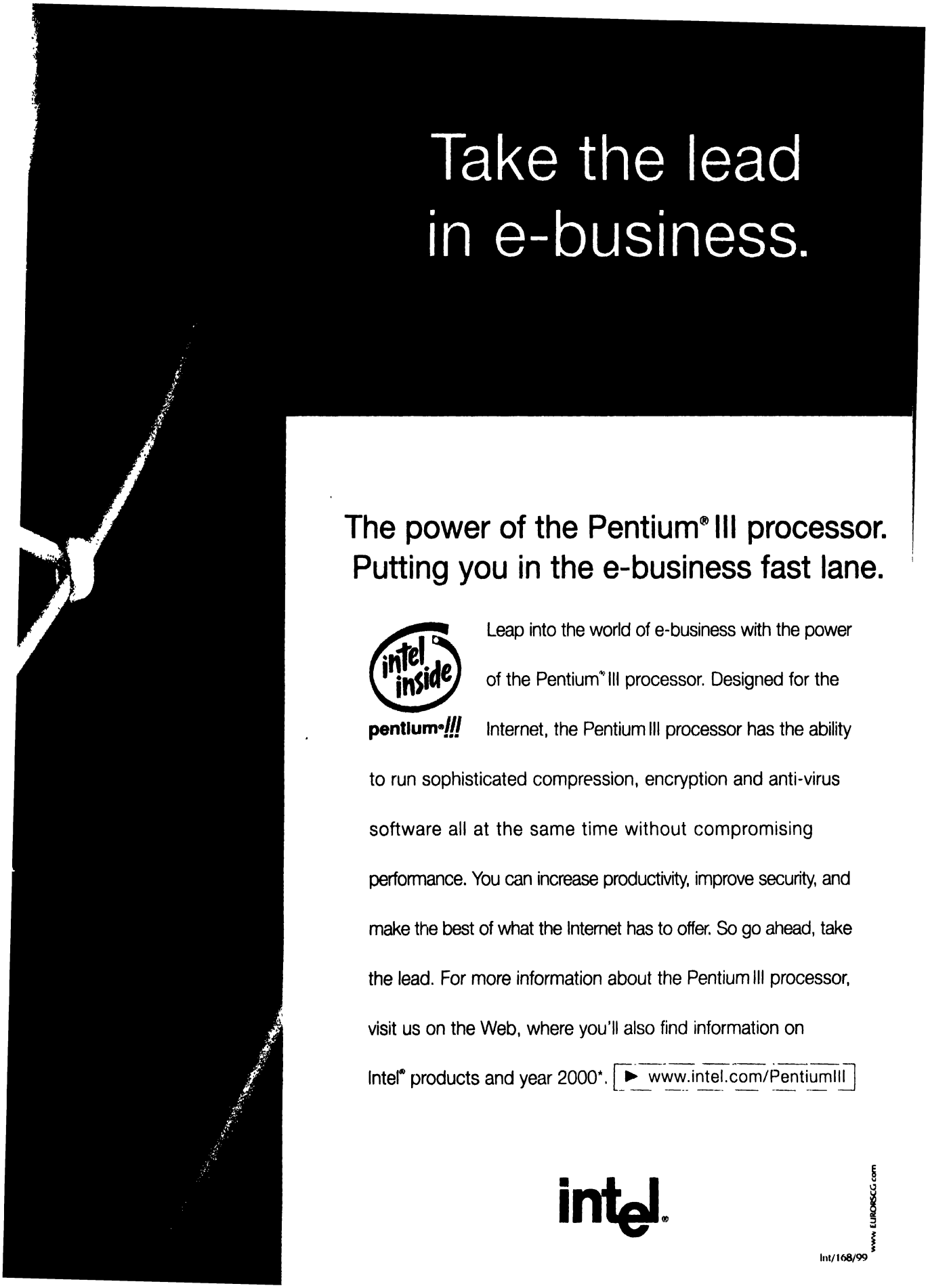
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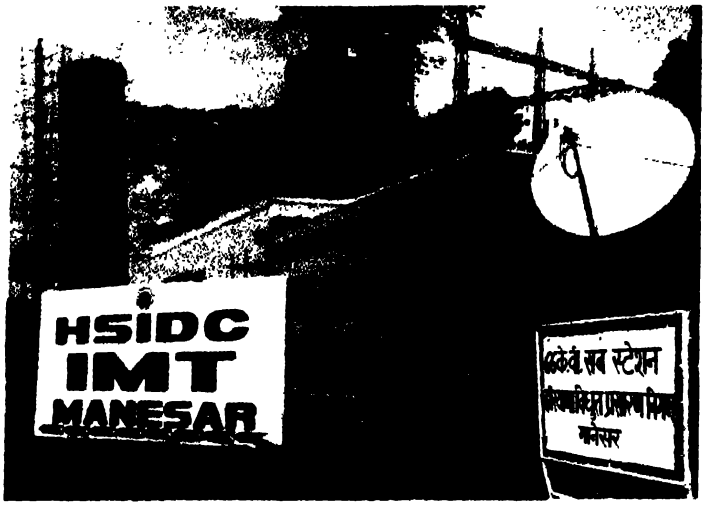
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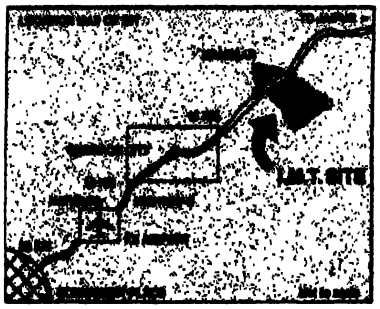
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ARUN KHINDARIA

The author is an international columnist for Business India

The limits of power

In the new millennium and thereafter, world leaders should seek a power that does not corrupt

One thing is abundantly clear in the final years of this turbulent century as we enter a new and more hopeful age: power, whether military, political or economic, has its limits. It is almost as if humanity's invisible Vedic ancestors have stage-managed events to drive home the age-old lesson that power of whatever kind does not bring satisfaction or success. Those come only from using that power in such a manner so as to share its fruits widely and generously.

With stealth and cunning, India acquired the most terrifying power in the world — the nuclear weapon capable of killing hundreds of thousands of people in a single blast. But it gained nothing other than more problems and a nightmare war in frozen wastes where if the enemy fails to kill you the desolate terrain will. The 'Hindutva' BJP party, which seeks to restore pride to people 'enslaved' for more than 1,000 years by foreign invaders, finally made it to the ruler's throne only to find that those people prefer food on the table to more pride. The power it acquired has an ashen taste.

At the same time, India's dependence on foreigners for money, education, trade and technology is increasing rather than being diminished. A nation of one billion people and the contributor of enormous intellectual wealth to the world has found that it cannot provide even safe drinking water, cooking fuel, electricity and telephones to its people without foreign help.

The evidence is clear. For us, power has become redefined. Instead of meaning the strength to fight, put pressure on and extract concessions from others, it now means the skill of making friends, gaining their trust and integrating their interests into our own from the very start of a relationship. All of us know in our hearts that our country cannot move forward and bring dignified lives to its people in the 21st century of high technology without acquiring this kind of power.

The other kind of power – of self-sufficiency, indigenous institutions, massive weapons and glib negotiating skills – has been seen to be useless. It has brought us neither peace, nor security, nor prosperity nor the freedom for our people to live in dignity. The majority of our children are mired in poverty and many do not even make it through childhood.

In taking a reality check, we are in good company. America, the world's sole superpower in every sense of the concept, is also being forced to take one. The latest humiliation to its self-image as the world's leader was delivered on its own streets of Seattle recently when a major world conference on trade was besieged and delayed by tens of thousands of protesters demanding economic security, rather than military or any other kind of superiority over others.

The limits to military power were forcefully brought home by the failure of NATO, with its vast resources, to defeat tiny Serbia or to bring Saddam Hussein under control. All that the enormous power of NATO and the United Nations has done is to bring prosperous Serbians and Iraqis to starvation and disease through bombardment and sanctions. Only a more humble pursuit of peace can undo the harm inflicted by NATO and the damage done by Milosevic and Saddam to their own people.

The raw power of Western money has brought no better results. It has struck fear in the hearts of the West's own citizens who see billions of their savings being lost in unwise investments by banks and funds on volatile world financial markets. Even the power of knowledge is causing insecurity both among the people and governments because the explosions of the Internet and electronic commerce have left everybody with a sense of loss of control.

In effect, power for everybody is being redefined. It now relates to listening to the people and finding peaceful ways of living together on an ailing planet within a world economic system that is more equitable for all. It no longer relates to simply collecting more bombs, money or bargaining chips against adversaries.

As you and I enter a new century, all we can do is hope that this message has also penetrated the hearts and minds of our leaders: especially of those hungry predators who currently occupy ministerial thrones in Delhi. In their rush to capitalise on their few short years in power, have they understood that the only way to assuage their own hunger for wealth is to work harder to make everybody else richer first? •

Power for everybody is being redefined. It now relates to listening to the people and finding peaceful ways of living together on an ailing planet within a world economic system that is more equitable for all

Insured by Congress

Sonia wards off internal pulls and pressures to see the IRDA Bill through



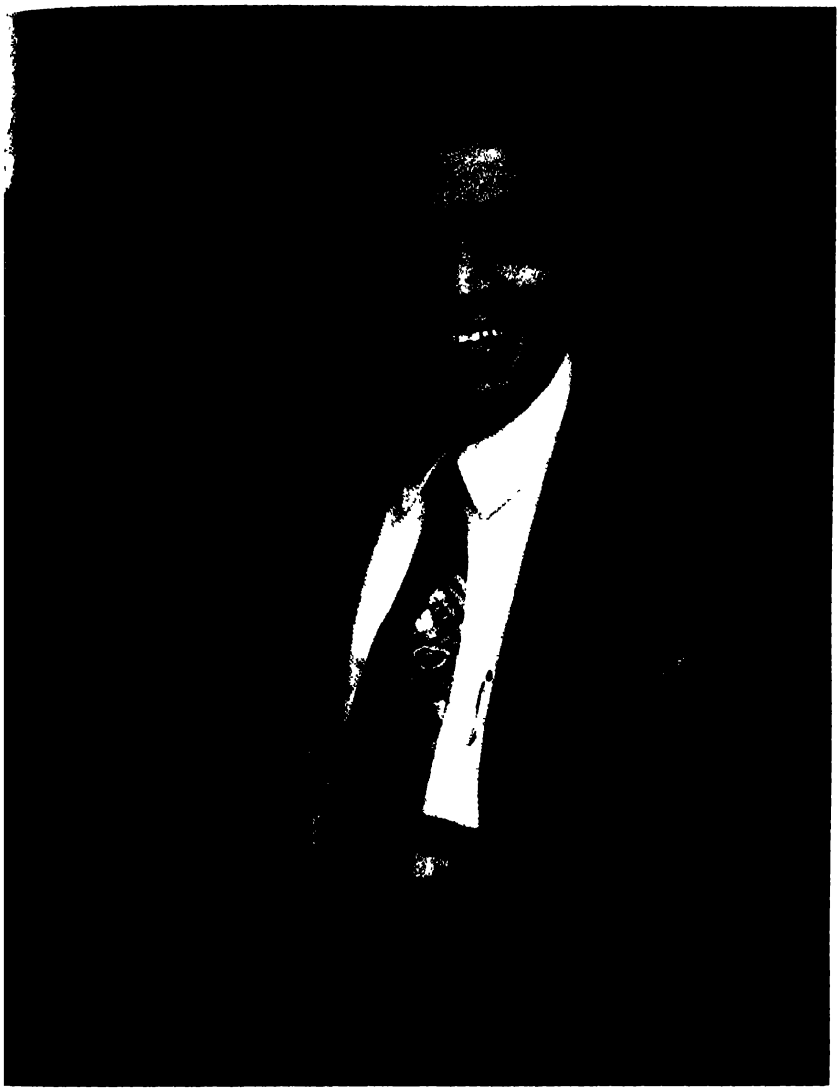
It was a power breakfast by any reckoning. On the menu were four different kinds of *dosa*, prepared by a cook who had been specially brought for the occasion, and south Indian filtered coffee. There was also the politicians' favourite fruit – papaya – to be had for the asking. The main course, needless to say, was the Insurance Regulatory & Development Authority (IRDA) Bill being served up by none other than finance minister Yashwant Sinha. The host: parliamentary affairs minister Pramod Mahajan. The guests: Congressmen Madhavrao Scindia, Murli Deora and Priya Ranjan Dasmunshi. At stake was the future of the insurance industry in India.

The breakfast meeting was an attempt by the government to extract a final commitment from the Congress which was vertically divided on the issue of supporting the bill and had to find an escape route from the incessant taunts of the Left and the Samajwadi Party for "doing business" with the BJP. The dilly-dallying tactics which the Congress initially adopted spawned rumours that it wanted a political quid pro quo: remove Rajiv Gandhi's name from the Bofors chargesheet in return for support to the bill in the Rajya Sabha, where the BJP and its coalition partners are in a minority. But better sense finally prevailed.

The evening before bill was to be put to vote in the Lok Sabha, the Congress had served notice of the four amendments which it was moving to the IRDA bill. The Congress wanted private insurance companies to give priority to health insurance and the party's economic affairs cell secretary Jairam Ramesh made out an elaborate case for this, pointing out that only two of the 96 million Indians were covered by this facility. The Congress also wanted private insurance companies to ensure cover in rural areas as well as unorganised and informal sectors, apart from crop insurance. The party initially wanted the foreign players to invest upto 75 per cent of their funds in social welfare programmes on the lines of the LIC and the GIC. Their other demands: the companies should be made invest in infrastructure projects like water supply, sewerage, housing and power; and stiff penalties should be imposed on companies found violating these commitments. Ramesh went to the extent of saying that if the government did not accept these four amendments, then the Congress would not support the bill.

Ramesh's threat was mere bluster as Sonia Gandhi had made up her mind to support the bill long before it was even tabled in the Lok Sabha. She had specifically summoned former MP Murli Deora from Mumbai to act as her negotiator with the government. Deora had headed Parliament's standing committee on finance in the 12th Lok Sabha which vetted the aborted bill, introduced by P. Chidambaram in the previous Lok Sabha, and had come out with a vastly improved version. In fact, Deora had informally discussed the amendments with Prime Minister Atal Behari Vajpayee and Yashwant Sinha before these were properly framed and submitted for consideration.

At the breakfast meeting, Sinha agreed to the spirit of the amendments but pointed out that the figure of 75 per cent which the Congress was advocating for social welfare programmes was "on the higher side". LIC and GIC were investing 50 per cent of their funds in government securities for social welfare projects and if the Opposition wanted a "level playing field" for the private and public sectors, it should apply the same yardstick to insurance. The Congress team did not press the matter since it had come with a firm mandate from their boss to clinch the issue.



Deora was involved with the development of the bill throughout

Sonia's decision to back the bill came in the wake of convulsions within the party, whereby a section sought to utilise the occasion to test her resilience and will power. The Congress president has in the past betrayed a naïveté unworthy of the high position she holds in the country's public life. This can be attributed to the fact that the political advice which is given to her generally comes from a coterie which is out of touch with ground-level realities. But on issues like economic reforms, she has been largely guided by the wisdom of people like Manmohan Singh and Jairam Ramesh. Manmohan's pitch to Sonia was that the IRDA bill should be packaged as a "Congress bill" because the majority of suggestions accepted by the Deora committee had come from the party members. These included fixing a minimum capital requirement of Rs100 crore for setting up a private insurance company and specifying the solvency margins.

Sonia had the additional benefit of being enlightened by P. Chidambaram on the IRDA bill. In an attempt to break out of his political isolation, Chidambaram called on Sonia while the debate on the bill was raging in the Lok Sabha. He advised her to support the bill as this would send the right "pro-reforms signals" to the business community. It would also vindicate the stand she took at the annual FICCI meeting that the Congress, as the main opposition party in Parliament, did not want to mix politics with economics.

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But what appeared to have won the day was the warning conveyed to Sonia that a powerful section in the party was using the IRDA bill to buffet her around and show her up as a leader who did not know what she was doing. On the face of it, the arguments made out by the political opponents of the bill made political sense. But the warning steeled her resolve, with a little help of course from the hectic lobbying which foreign insurance companies took recourse to.

Some of those opposed to the bill had their own agenda. Jitendra Prasada had once served as political secretary to Rajiv Gandhi and P.V. Narasimha Rao. During the Kesri interregnum, Prasada was the all-power vice-president of the Congress party. But after the Sonia takeover, he had been reduced to a backbencher in the Congress working committee and his hunting ground — Uttar Pradesh — had been handed over to a relative newcomer. Prasada made a play at tugging at Sonia's emotions by arguing that the Congress should not bail out the Vajpayee government on the IRDA bill in the Rajya Sabha as it had "besmirched Rajivji's fair name" by dragging it into the Bofors chargesheet.

Rajesh Pilot's pitch, on the other hand, was that the credit for reforms would go to the government and the Opposition had no business in "giving the government a good image". These arguments found support from former ministers like S.B. Chavan and Santosh Mohan Deb, who took the stand that it would be difficult for the party to sell privatisation of the insurance industry and the entry of foreign companies as a "pro-poor" measure. Vayalar Ravi, who hails from Kerala, has to contend with the trade unions back home: he was afraid of a union backlash against the Congress. Way back in the early 1990s, when the Rao government had initiated the first phase of reforms, Ravi had trained his guns at Manmohan Singh for being unmindful of the consequences of the policies being set in motion.

While all these reservations were being aired, Sonia must have felt the absence of a seasoned arbiter like

e-commerce

Pranab Mukherji, who is known to tailor his arguments and ideology to suit the occasion. Mukherji was coping with a family bereavement while the cleavages surfaced in the party.

For the Vajpayee government, the passage of the bill helped it redeem a pledge which Yashwant Sinha had made to foreign investors and multilateral agencies during a recent visit to Washington. The short-lived protest of the trade unions also helped it to test the strength of organised labour. Bank unions, which generally coordinate their protests with insurance unions, remained muted. Indeed, the IRDA bill's success could encourage the government to launch the second phase of financial sector reforms.

• RAKESH JOSHI

Rethink or rerun?

Foreign equity may be allowed in technical and medical journals this time around

Long before he made his foray into television broadcasting in India, media baron Rupert Murdoch was on a business-scouting mission to the country. It was the early 1990s and the winds of liberalisation were just beginning to blow. Badgered by Delhi journalists for a question-and-answer session at the Press Club of India, Murdoch shed his traditional reticence and agreed to face the media. At one point he was asked which Indian newspaper he would like to pick up. The Australian tycoon replied unwaveringly: "Indian Express."

The fact that *The Indian Express* was not up for grabs is a different matter altogether, but Murdoch's statement was indicative of the keenness with which foreign media players have been eyeing the Indian scene.

Around the same time, *Financial Times* of London started evincing a keen desire to set up shop in India. It zeroed in on Calcutta-based *Ananda Bazar Patrika* as a likely partner in a joint venture. The Sarkars, who own

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Int/133/99


RAMESH PATHANIA

Jaitley is unlikely to allow foreign print media in news and current affairs, at least for the present

the Patrika, even started the New Delhi edition of *Business Standard* in the hope that foreign equity participation in the domestic print media was a logical corollary of the reforms process. They wanted *Business Standard* to be the nucleus of the new venture with *Financial Times*. The project had the backing of the then finance minister, Manmohan Singh, who felt that an Indian edition of *Financial Times* would serve as an ideal window to the opportunities in store for foreign investors.

Things would have fallen in place for *Business Standard* had not the paper, in a bid to boost the sales of its New Delhi edition, made the cardinal mistake of attacking the prime minister of the day, P.V. Narasimha Rao, by excerpting Harshad Mehta's affidavit on the Rs1-crore payoff caper long before he made it public. A peeved Rao referred the proposal to a cabinet committee consisting of N.K.P. Salve, S.B. Chavan, and Arjun Singh. The trio was too seasoned to know that the prime minister was just not interested. So the committee simply refused to overturn the decision taken by Jawaharlal Nehru's cabinet in 1955 to disallow foreign equity in Indian print media.

The United Front government chose to tackle the issue in a similar, indifferent manner. Ram Vilas Paswan headed a cabinet committee which could not come to any conclusion because a powerful newspaper group was keen to stall any change.

The first indications that the Vajpayee government was reviewing the issue were provided by information and broadcasting minister Arun Jaitley at a FICCI seminar in November. Jaitley took the stand that there were contrasting views on the subject and the matter needed to be debated in the media, the industry, and Parliament before a conclusion was reached. The treatment of the Kargil hostilities and the Orissa cyclone by the Indian and foreign media had thrown up vital clues to the debate. While the domestic media had focused on both the positive and negative aspects and had been supportive of the government efforts, the foreign media had been largely negative in its coverage. "I refuse to give my opinion," he had then said in his typically clinical fashion.

But Jaitley had obviously given his officials the go-ahead to explore ways and means of breaking the deadlock following a request from the foreign investment promotion board, which has been deluged with requests from foreign journals dealing with sundry subjects like photography, medicine, automobiles, and science to enter into JVs with Indian publishers. While Jaitley was holding forth in his circumspect manner at the FICCI seminar, his officials were circulating a note to the finance, external affairs, and home ministries eliciting their views on the subject. Information and broadcasting secretary Y.N. Chaturvedi used the platform of the India Economic Summit to make a formal declaration. This was a signal to foreign delegates that the government considered opening up print media to foreign equity participation a part of the ongoing reforms process.

A senior cabinet minister told *Business India* that given the excessive clout which some newspaper groups exercise on political parties, it is unlikely that foreign equity participation will be allowed in print media dealing with news and current affairs. "Unless these newspaper groups themselves play ball, it is highly unlikely that anything will be done on this score. However, bringing foreign equity into technical media should not be a problem. Infotainment is another area. After all, hasn't *Reader's Digest* already been here for ages?"

• RAKESH JOSHI

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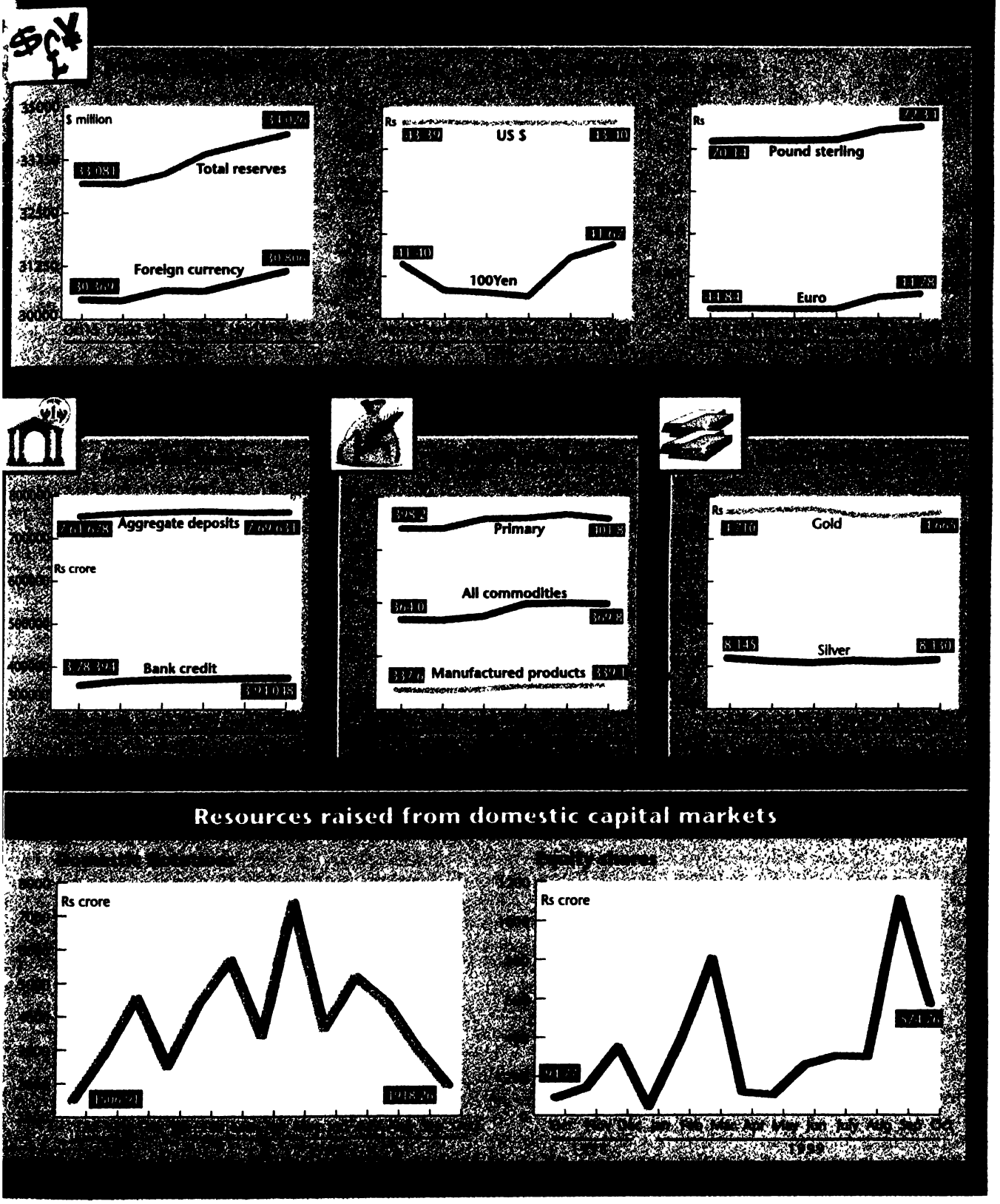
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WE ARE AT EQUIDISTANCE MADAM
ELECTORAL DEBACLE

Moving ahead



A riot, rather

Aggressive protests force an inconclusive end to the recent WTO conference

A restaurant marquee in downtown Seattle emblazoned with the legend 'Thanks WTO, it was a riot' aptly summed up the general outcome of the World Trade Organisation's four-day third ministerial summit that concluded in this northwestern American city on 3 December.

Thousands of protesters laid siege to Seattle in an unprecedented outpouring of ire against what they scuttled the ministerial meeting, not only forcing the cancellation of the inaugural session but also derailing the negotiations by politicising trade issues as never before. It precipitated differences amongst the member nations that just could not be bridged. A browbeaten WTO adjourned the meeting with a limp assurance that negotiations would be resumed in Geneva, and that a high-level session



A protester being led away

termed manipulative anddiscriminatory policies of the 135-member-nation Geneva-based organisation. The agitators were sympathisers or activists from assorted non-government organisations representing consumers' rights, child abuse, animal protection, free and fair trade, community and women's upliftment, and environment. There were resistors who wanted the WTO to be wound up marching alongside reformers who wished to transform this trade agency into a less 'malignant forum'.

The groundswell of opposition ultimately triumphed as it effectively would be convened in about six weeks, though not as part of the Seattle meeting as originally envisaged.

The Seattle ministerial meeting was planned to launch the ninth round of global trade talks to lower trade barriers since the creation of the WTO in 1995 and of its predecessor, the General Agreement on Tariffs and Trade (Gatt), which had regulated worldwide tariffs since 1947. Gatt was now part of the WTO agreements, and while it dealt with trade in goods, the General Agreement on Trade in Services (Gats) dealt with trade in services, and the Agreement on Trade-Related Aspects of Intellectu l Property Rights (TRIPS) dealt with suc issues as copyright, trademark, patents, industrial designs, and trac secrets. Since its inception the WT has overseen the implementation of the agreements reached in th 1986–94 Uruguay Round of worl trade talks, which actually engendere the WTO. While negotiations on basi telecommunications and informatio technology products ended in early 1997, those on financial service ended in December that year. The Seattle meeting was to cover services and agriculture, and was also to set the agenda for negotiations on any other sectors that needed to be covered.

WTO director-general Mike Moore indicated that numerous calculations had been made on what the WTO agreements might add to the world economy after they had been fully implemented, though a precise estimate was difficult. "In 1994 economists at what was then Gatt estimated that the agreements could contribute $184–510 billion to the world economy by 2005," he added.

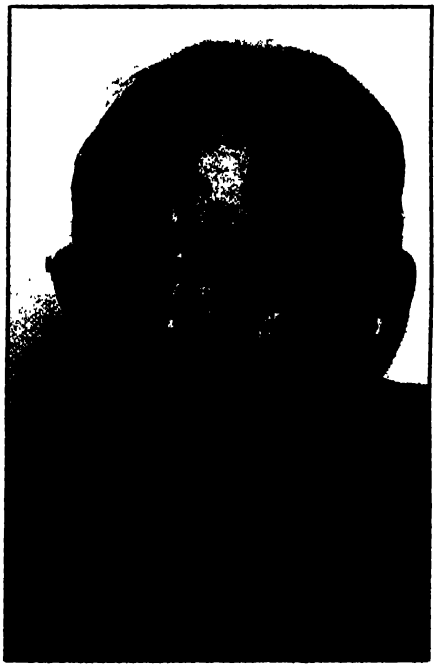
The failure in Seattle to forge an agreement on a new round was an embarrassment to US President Bill Clinton and trade representative Charlene Barshefsky, the official chair for the meeting whose country is the chief votary of a globalised free market. At his State of the Union address in January, Clinton had made a new round of trade talks a major goal of the last year of his administration. But with an eye on the forthcoming presidential elections in the US as also to surreptitiously retain the prevailing protectionist barriers for American workers, Clinton pledged his support for the protesters outside by invoking his concerns for labour and environment. He urged the WTO to heed the "legitimate complaints" of the protesters and be more open in its decision-making. "They ought to be a part of it [the WTO process], and I think we should strengthen the role and the interest of labour and environment in our trade negotiations." He added that if the WTO expected public support to grow, the public must see and hear and in a very real sense actually join in the deliberations.

Then at a brief ceremony at the Bell Harbor International Center, the President signed a treaty committing the US to international laws that banned the worst forms of child labour. Later, addressing a farmer rally, he noted that tearing down global trade barriers protected against American farm products, manufactured goods, and service companies would ensure that the US economy remained strong and prosperous in the 21st century. He did not, however, broach the issue of sanctions against errant countries, though in an interview with a local newspaper he had said that he favoured sanctions to punish states that exploited their workers or violated their rights.

Clinton possibly did not anticipate the backlash his self-serving agenda would elicit from particularly many of the WTO's 100-odd developing nation-members, including India. India's commerce and industry minister Murasoli Maran reiterated the official line that non-trade-related issues such as labour and environment be kept out of the negotiations. He led a 40-strong national delegation that included the Congress's Kamal Nath, CPM's Biplab Dasgupta, Samajwadi Party's Amar Singh, and Telugu Desam Party's Yerran Naidu, apart from representatives of FICCI and CII. Many of the delegates felt that such standards represented a form of US protectionism.

The US also clashed with the 15 powerful European Union countries on the politically volatile issue of agriculture and the niggling question of reducing trade barriers in farming. Backed by Canada and other agro-exporting nations, the US sought a commitment at the negotiations towards ending export subsidies. In contrast, the Europeans, with their large farm subsidy programmes, desired agro-industry to be treated differently from other industries. US secretary of state Madeleine Albright said she saw the WTO as a chance to "level the playing field" for farmers by bringing down foreign tariffs and subsidising exports to European countries. She asserted that her country was keen on solving "a huge biotech problem", an obvious reference to the Europeans, who have had widespread disease and food-purity scares over beef and soft drinks and have thus been averse to foods that have been genetically modified.

Such internal wranglings that reflected the melée outside subverted any decision by the WTO in its final document. Decisions in this grouping are made by consensus. Delegates must agree on what is termed the official declaration that launches a new round of trade talks as well as outlines the size and scope of the talks. The US also failed to get a working group within the WTO to examine how trade affects workers, which would have ensured scrutiny of this issue with the aim of bringing about the required amendments in rules.



RAMESH PATHANIA

Clinton's agenda was opposed by Maran and ministers from the developing world

Taking up the cry of the protesters, Elaine Bernard, executive director of the Harvard Trade Union Programme, observed that while regulated trade was not repugnant, the sort propounded by the WTO was, as the organisation had metamorphosed into a powerful body of unelected bureaucrats who deliberated in secret. She pointed out that while the WTO specified it could only regulate "product", not "process", with labour and environmental standards, what was normally regulated was process. "The difference between a shirt produced by sweated labour under near slave-like conditions and that produced by union labour under decent conditions isn't readily obvious in the packaging, the end product, but rather in monitoring of the 'process'," she maintained. "Yet when workers are being forced to work with flagrant violation of labour law and safety codes, the WTO pleads helplessness. But if these same workers illegally produce pirate videos or CDs, the WTO will unhesitatingly impose sanctions against the offending country in order to protect a corporation's 'intellectual property'."

India meanwhile guardedly applauded China's deal with the US that paved the way for its eventual formal accession to the WTO. WTO rules mandated that China complete negotiations with all member countries that demanded such negotiations before it could become a full member. It has done so with 13 of the members and has been assured likewise by India. In fact, after his meeting with his Chinese counterpart Shi Guangsheng, Maran claimed that India had not put any "precondition" for signing the bilateral agreement unlike the US or the EU, which had recently signed bilateral agreements after five years of protracted trade negotiations. The two leaders pledged to work together within the WTO for the common cause of the developing countries, reaffirming their opposition to linking of core labour standards with trade. China participated in the Seattle conference as an observer, as did 30 other countries, including Russia, that have applied for membership.

In contrast, India's approach towards Pakistan was stuffier. It declined ministerial-level discussions with that country on the eve of the WTO meeting, arguing that such dialogue would lend "legitimacy" to the military regime. This was the same reasoning that had scuttled the Saarc summit earlier. India would do well to realise that a collective approach to crucial negotiations as at the WTO would not only be in its own interest, but would compel the trade organisation to heed the concerns of a cohesive forum.

• SAROSH BANA



With a newly elected, stable government and a reviving economy, corporate India confronts the approaching millennium with renewed hope and confidence. The feel-good signs are everywhere. Vigorous activity on the stock exchanges, the rush into the newly opened insurance market, and the country's first mega dot.com deal. It was against this buoyant backdrop that we began our annual exercise of selecting *Business India*'s Businessman of the Year 1999, the Indian corporate world's most coveted award.

We were all too aware that, by virtue of sheer timing, this year's selection could be no ordinary one. Being the last selection of this century – and the 18th since the award was instituted in 1982 – we felt it should both pay a tribute to the past as well as recognise the momentous turn of the calendar. We debated: was it time to abandon our annual fixation and herald the Businessman of the Century? The drawback of that option was that it would overlook the current crop of achievers, thereby going against the spirit of the award. The icon of the century, we concluded, deserved a separate recognition from the achiever of the year.

'99 BUSINESSMAN OF THE YEAR

We were loth also to break from our time-tested practice of having an independent jury, consisting of eminent representatives of the business world. The fact that it is conferred by peers gives this award its prestigious halo. In an innovative interpretation of tradition, we decided that this year the selection panel would consist of 'emeritus' members. That is, the jury would be composed entirely of previous winners of the Businessman of the Year award.

A brilliantly simple idea, yet it posed a logistical challenge. But as we quickly discovered, time has not dulled the cachet of this award. "Just name the day and place, and I'll be there," promised Brijmohan Lall Munjal, chairman of the Hero group and Businessman of the Year 1994. When it turned out that the only available free day was a Sunday, our Businessman of the Year 1995 Suresh Krishna, who avoids travelling on weekends, gamely took the redeye flight from Chennai to Mumbai on Sunday morning.

And so it was that at 10.30 am on Sunday, 28 November 1999, seven corporate heavyweights started trooping one by one into the Jaipur Room, The Oberoi, Mumbai. Apart from Munjal and Krishna, the other panelists included Rahul Bajaj (Businessman of the Year 1985), chairman & managing director of Bajaj Auto; Ashok Ganguly (1986), chairman of ICI; Keshub Mahindra (1989), chairman of Mahindra & Mahindra; Deepak Parekh (1996), chairman of HDFC, and Anil Ambani, managing director, Reliance Industries. In the observers' gallery were *Business India* publisher Ashok Advani and senior editors of the magazine.

The absence of Parvinder Singh, Businessman of the Year 1998, who passed away this year, was keenly felt; by tradition, the previous year's winner chairs the selection panel for the following year. It was decided that the only fair way to select a chairman in this gathering of equals was to draw lots. The onus fell on Ganguly to orchestrate the proceedings. Appropriately, a two-minute silence was observed for Singh before the discussion got going.

Advani spelt out the golden rules: complete confidentiality of the proceedings was ensured so that panelists could speak their minds freely; they were also at liberty to suggest contenders, add new criteria to the selection process, and chalk out their own methodology. Taking charge, Ganguly put forth his preamble: the award, he endorsed, has over the years acquired its own distinct stature and "all of us here feel a sense of pride to be associated with it." Therefore, he cautioned, the jury's top priority should be to ensure that the sanctity of the award was maintained.

Looking at the list of 13 contenders, certain obvious estions emerged. Should the term 'businessman' be re broadly defined to include a politician or bureaucrat? ur of the 13 contenders fell into that category. Secondly, ould NRI businessmen – three were on the shortlist – be the running at all? Finally, would it be appropriate to clude those who had a tremendous track record but had ently retired?

A spirited debate ensued. Politicians and bureaucrats, no matter how innovative and path-breaking they are, just do ot face the same dynamics as businessmen do. "Even if a olitician has adopted a businesslike approach, he cannot be considered as a businessman in any sense of the term," Bajaj argued. In the last 17 years no politician, no matter how reform minded and radical, has made the cut and this jury too saw no merit in changing that. But Mahindra clinched the matter: "It would destroy the character of the award."

On the issue of including NRI businessmen, strong and opposing views were exchanged. Some felt the growing tribe of successful NRI entrepreneurs could no longer be ignored. But clearly, as Munjal pointed out, it would be a case of comparing apples to oranges. These individuals had notched up their achievements in a different environment with access to much greater resources and more developed markets.

The consensus emerged that successful international Indians could not be compared with those who had struggled and made good in the difficult Indian environment. But the panelists were willing to make one significant concession: those NRIs who had built significant businesses in India should not be disqualified on technical grounds. It was recognised that restrictive foreign exchange regulations have often forced Indian businessmen, after achieving success in India, to opt for NRI status. This flexible view kept two candidates in the reckoning even as one mega-tycoon was dropped.

The debate on recent retirees was a short one: just as the award is not bestowed posthumously, only those in the saddle should be considered. Also, the criterion of recent financial performance of the company/group, too important to be ignored, would not be relevant for retired cases. One more candidate fell out of the race.

With the shortlist pruned to seven, Ganguly proposed that the panelists pick their favourite five. From this elimination round emerged the top three vote-pullers. Curiously, all of them were in the services sector, which signifies the emerging importance of this sector to the economy.

Before launching into the last lap, Ganguly steered the discussion back to those who had been eliminated. It was both necessary and just, he felt, to clearly spell out the reasons for their elimination. Sharing wealth, not just creating it, is an important consideration in these times, the panel argued. More than one tycoon, notwithstanding his company's rocketing stock price, had not measured up adequately on this score.

Another significant consideration is the businessman's contribution to shaping public policy and positively impacting the environment. While there is merit in keeping a low profile and running one's own company efficiently, that is clearly not enough. Some who had built tremendous brand equity and others who were pioneers in the services sector didn't make it for this reason. The panel also saw virtue in core competency. An inheritor who had launched into an ambitious diversification slipped up on this count.

Criteria for selection

Financial performance of the company/group in the last few years, particularly in 1999
The track record of the company/group in generating shareholder wealth/value
Growth of the company/group either by expansion, acquisitions, mergers, or joint ventures
The ability of the company/group to succeed in a competitive environment
The ability of the company/group to leverage technology
The commitment of the company/group to best practices in corporate governance
Contribution of the company/group to general welfare, including education, health, and the environment
Contribution of the company/group to employee welfare, including sensitivity in handling labour issues and human resource management
The individual's influence on his peers and on society
The individual's commitment to corporate integrity and building an ethical organisation

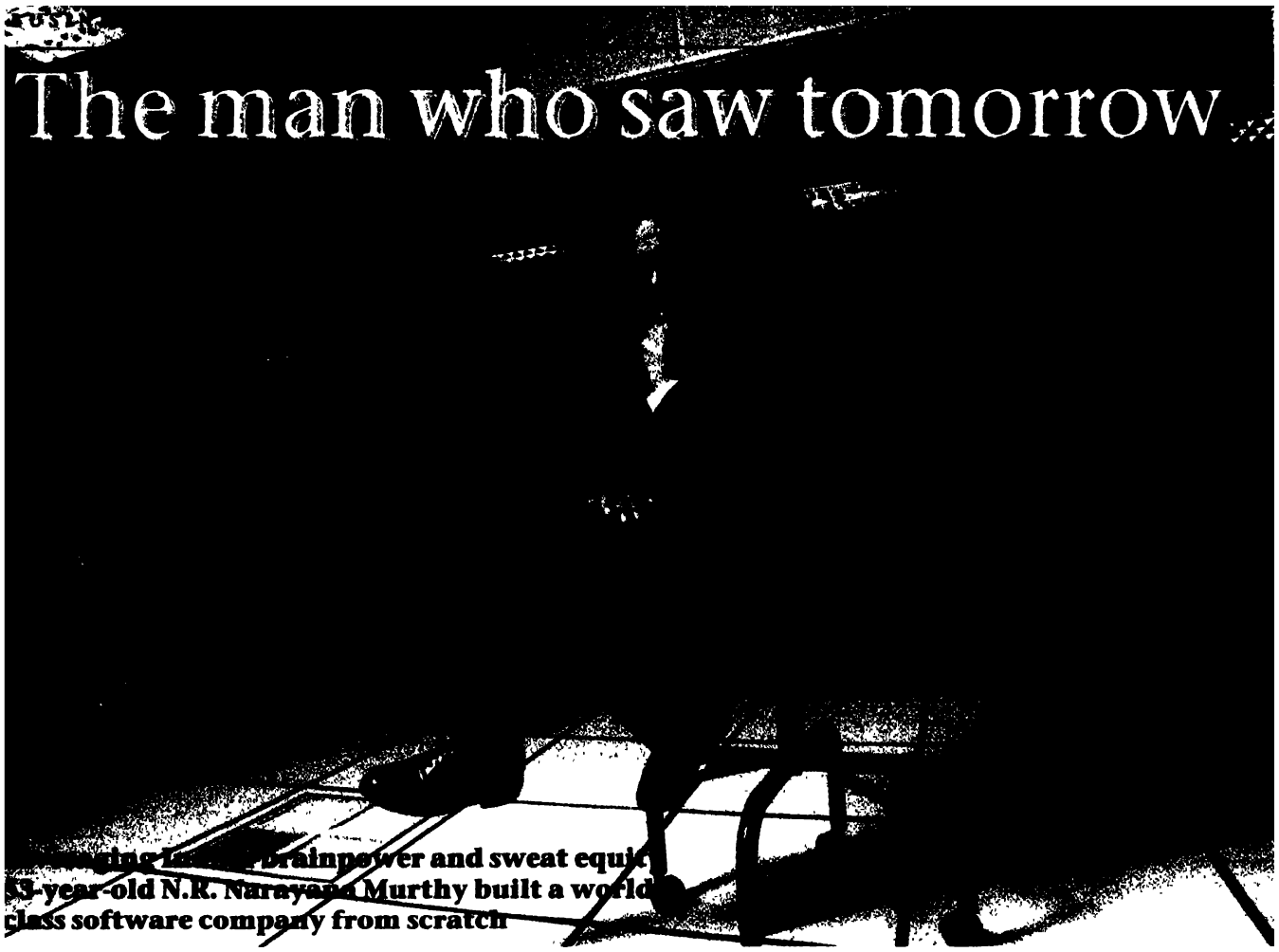
This discussion set the ground for the final debate. With three names in hand, Ganguly proposed a further elimination to hone in on two finalists. It was a match between equals — one a much-admired entrepreneur and the other a much-respected professional. Both were from fast-growing industry sectors and had built companies with a strong international focus. Both were pioneers in their own way, though one had put in a far longer spell. Although in terms of sales one was just a third the size of the other, with respect to market capitalisation their respective companies were probably equal.

At this stage the entrepreneur who had blazed new trails in the year gone by, emerged in the forefront. He had leaped ahead boldly, placing the Indian flag firmly in the global software sweepstakes. With a five-year compounded annual growth in sales of over 70 per cent, his company was much coveted by investors. Which is why, despite its modest turnover, its market capitalisation had overtaken that of older, asset-rich companies.

Though now enormously wealthy in his own right, this infotech visionary had not forgotten his humble beginnings and believed in sharing the wealth he had created with employees through generous stock options. His inspiring success story, a product of a liberalised economy, symbolised the spirit of new entrepreneurship — transparent, with a global mindset and built by leveraging Indian brainpower. As an icon for the next generation of entrepreneurs, the panel unanimously agreed, there could be no better choice than our Infy man: N.R. Narayana Murthy, chairman & CEO of Infosys Technologies.

• NAAZNEEN KARMALI

The man who saw tomorrow



...Brainpower and sweat equi... 53-year-old N.R. Narayana Murthy built a world-class software company from scratch

After topping his school exams, the small-town teenager was all bright-eyed and charged-up. His dream of studying engineering at the most elite institution in the land was at hand. Not only had he passed the Indian Institute of Technology (IIT) entrance test but he had also managed to secure a scholarship. Life was beautiful until he spoke to his father.

As N. Rama Rao pointed out to his youngest son – the fifth-born of eight children – the scholarship would be disbursed only at the end of the academic year. On his modest school-teacher's salary of Rs250 a month, he could ill afford setting aside Rs100 for his son's monthly tuition and expenses. "If you are really smart," he reasoned, "you can go to any college and still do something worthwhile."

Swallowing his disappointment, the youngster enrolled at the local engineering college in Mysore. The story has a happy ending: four years later, as a top-ranking graduate in electrical engineering, he got another scholarship – this time the rules had changed so that the money was paid upfront – to do his MTech at IIT Kanpur. The ability to relentlessly pursue the big dream, which he developed as a level-headed teenager, has paid off handsomely for 53-year-old N.R. Narayana Murthy.

As founder chairman and CEO of Rs513-crore (1998–99 revenue) Infosys Technologies, he heads the country's most successful Silicon-Valley-style start-up, one that is right at the forefront of India's charge on the global software market. With 4,800 employees, 11 software development centres in India, and 13 overseas offices, Infosys is a world-class act, deriving 97 per cent of its revenues from exports.

In the past five years Infosys has grown at breathtaking speed: sales grew at a compounded annual rate of 74 per cent and profits by 78 per cent, a performance that puts Infosys way ahead of its peers. (Wipro's sales in the same period grew 23 per cent and HCL Infosystems' by 11 per cent).

Last March this software player, a pygmy by world standards, declared its ambition to enter the global big league. It created history by becoming the first Indian-registered company to list on an American stock exchange – Nasdaq – with an issue of two million American Depositary Shares (ADS) that raised $70 million. This war chest will be partly used to issue stock options and fund acquisitions. Infosys' pioneering step has paved the way for other Indian IT companies; Internet service provider Satyam Infoway followed with an ADS issue in October.

Dewang Mehta, president of Nasscom, the software industry association, expects 20 companies to make their American debut over the next two years. "Five years ago people scoffed at the idea that an Indian company could list in the US, but not Murthy," says Mehta. "I remember, when a team from Nasdaq visited India in 1994, Murthy paid them a great deal of attention. Today Infosys is our showcase on Nasdaq."

India's hottest infotech stock hasn't

sappointed its American investors. e $34 ADS opened at $37.37 on listg and is traded today at $290. That nplies a mind-boggling P/E multiple f 547, placing Infy smack in the ompany of other sizzling scrips like Microsoft (P/E 64).

The stock is an all-time investors' avourite on Indian bourses too; raded at Rs9,920 currently, it has gained a massive 238 per cent since January this year. With a market cap: f Rs32,800 crore (64 times revenue), Infosys has pulled ahead of older, sset-richer companies like Reliance, market cap: Rs22,000 crore).

Thanks to his company's rocketing share price Murthy, who owns 7.7 per cent of Infosys' equity, has joined the ranks of Indian billionaires. The man who once couldn't afford an IIT education and 20 years ago took a Rs1-lakh loan from HDFC to buy his first house, now has a personal net worth of Rs2,500 crore. Murthy, who calls himself a compassionate capitalist, regards much of this as ephemeral: "I tell my colleagues not to worry about the stockmarkets but to stay focused on our main charter: delivering quality products in time and within budget to our customers. Tomorrow the stockmarket may not reward us."

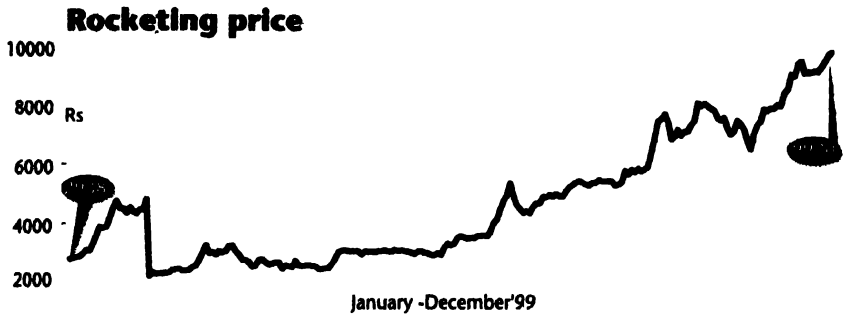
"He's always been a great role model for me," acknowledges Murthy's US-based brother-in-law Gururaj Deshpande, chairman of Sycamore Networks. (Murthy's wife Sudha and Deshpande's wife Jaishree are sisters.) In October Deshpande took Sycamore, his one-year-old bandwidth company, public and is now sitting on a market cap of $18 billion.

With an estimated net worth of $3.8 billion (he owns 21 per cent of Sycamore), Deshpande is the world's second richest Indian after Azim Premji, whose 76 per cent stake in Wipro is worth $5.85 billion today. Yet Deshpande says his own achievements pale before his brother-in-law's. "Murthy's experience was a lot harder than mine. The odds are so much bigger in India that what I've done seems like child's play in comparison," he admits frankly.

The story of a first-world-type enterprise in a third-world setting that's grown by drawing upon a pool of cost-effective, high-quality brainpower has enchanted investors and chroniclers alike. Infosys plays host to an endless stream of visitors, who fly in to the company's Bangalore headquarters from all over the world to see this amazingly efficient offshore software 'factory' first-hand. Last fortnight Murthy was shuttling between conference rooms meeting reporters from *The New York Times*, *BusinessWeek* and the French press.

The bespectacled Murthy, who has a serious, professorial air about him, takes it all in his stride. Indeed, for all his fabled modesty and unassuming nature, he seems to revel in the media attention. In fact, so overexposed is the Infy man that he seems almost ubiquitous — holding forth on television, at conferences, in print. That may partly be because Murthy has recently redefined his role.

Last February he handed over operational charge to 44-year-old Nandan Nilekani, freeing himself to concentrate on, among other things, representing Infosys to the outside world. Apart from being the public face of Infosys, Murthy's also an important flag-bearer of the software industry (he's a member of the National Information Technology Task Force and the prime minister's council on trade and industry) and widely considered an expert on corporate governance.



Those who know him well say that he takes his job as chief ambassador for Infosys very seriously. "What spurs Murthy is his determination to build a global brand equity for Infosys," explains MD, president, and COO Nilekani. "He's consumed by the vision of putting India on the global software map. All of us here share his sense of mission and destiny."

In the process, Murthy has emerged as the ruling icon for the new generation of Indian software entrepreneurs who dream of building another Infosys. "He has really been a change agent for the industry," endorses Murthy's close friend K.V. Ramani, CMD of Future Software, Chennai. "I would even say that he has created a new paradigm for Indian business: transparent, high values, and generating wealth for all stakeholders."

Infosys, the epitome of the upright corporate citizen, has disproved the received wisdom that no business in India can succeed without somehow beating the system or bending the laws of the land. Murthy is known to constantly remind his troops: "It's better to lose a billion dollars than a good night's sleep." Much before industry began the debate on corporate governance, Infosys had already put the highest standards into place, observes Montek Singh Ahluwalia, member of the Planning Commission.

Whether it was the level of disclosure in the company's annual reports or preparing its accounts to US GAAP standards as far back as 1995, Infosys has been a trendsetter. Ahluwalia, who was then with the finance ministry, recalls how Murthy took the initiative on the ADS issue: " He was the first to make

How Infy stacks up

Wipro	1831	112	33089
Infosys	509	135	32805
Satyam	378	73	5297
HCL Infosystems	946	35	1576



Murthy with Raghavan, Dinesh, Nandan and Gopalakrishnan

Compassionate capitalists

Particulars	Stake %	Value Rs crore	C
N. S. Raghavan	5.40	1786	11
S. Gopalakrishnan	4.80	1587	5
S. D. Shibulal	3.30	1091	

the point to the government that bright people had to be paid on a global scale. Unless companies like his were allowed to issue dollar stock options, Indian talent would continue to go abroad."

Yet cynics wonder whether Infosys is another typically hyped-up story, riding on the infotech frenzy sweeping the country. Not so, declares Nasscom's Mehta. "This is a mature company that has demonstrated time and again its ability to think ahead of the industry. They have the next two to three years clearly mapped out," he says. Ajay Sharma, IT analyst at DSP Merrill Lynch, is confident that the company can maintain an annual net profit increase of 74 per cent until 2002.

Infosys has very systematically moved up the software value chain from an on-site to an offshore software developer, then to product development, and finally towards providing complete solutions. It is now positioning itself as a total software services company. Last fortnight Infosys was assessed at the much-coveted Level 5 under the Capability Maturity Model developed by the Software Engineering Institute of Carnegie Mellon University.

Prudently, it does not lean on any one client. The top 5 clients, including Nordstrom, Nortel, and Goldman Sachs, account for 28 per cent of total revenues. A key strength of Infosys, which is a testimony to the quality of its work, is its ability to retain customers. Last year repeat business racked up as much as 90 per cent of revenues.

It is such track records that have contributed to making India a leading destination today for companies looking to outsource software development. Henri Mabille, former finance director of Reebok France, remembers meeting Murthy in the spring of 1989 and being enthralled by his description of the high quality of Indian engineering talent. Mabille, given the responsibility of organising a total system change in Reebok, took the risk of working with a young Indian company.

"We never regretted it. When we started this process we were miles behind Nike's system, but by 1993 we were ahead of our competitors. In my opinion Murthy has contributed to drawing a new image of the Indian hi-tech industry as one based on efficiency and performance," says Mabille, who is now group finance director of SIA, a distribution company in Paris.

But Murthy himself has no illusions about the vulnerability of a company that operates in a fast-changing business like IT. Complacency, he argues has no place in the Infosys psyche: "We don't believe that we have any extraordinary legacy strength that will carry us through the years. If we don't continue to innovate we can disappear like dew on a summer morning. There's a healthy sense of paranoia here that we may not get food on the table tomorrow if we don't meet customer requirements."

Even as the demand for Y2K remedial work peters off, Infosys is well prepared for the eventuality. The company has been reducing its dependence on Y2K contracts, which accounted for 20 per cent of sales in 1998–99; in the last quarter this business contributed 9 per cent to sales. The next big thing, according to Nilekani, is the exploding opportunities in e-commerce. The share of this business to revenues has been steadily increasing and is now 10.5 per cent.

As US companies scramble to jump onto the e-commerce bandwagon, Infosys sees tremendous business in helping their legacy systems get Web-enabled. As Murthy explains: "We understand online transaction processing, the essence of e-commerce, very well because we have done it for 18 years. This expertise puts us in a better position over even some new e-commerce companies."

Having grown organically, Infosys is now scanning the universe for potential acquisitions for its next phase of growth. Though none has been identified yet, Murthy is clear what he's looking for: "It should add immediately to the topline but also to the bottomline at least by the medium term. Ideally it should be a small company so that cross-cultural issues can be handled easily," he explains.

Infosys is bulking up furiously. At the company's 42-acre campus at

tronic City in Bangalore, five new ding blocks – Infosys Park 1 – have n set up and four more (Infosys k 2) are fast being constructed. Park which boasts a food court and mphitheatre, has the capacity to ommodate 1,500 people. Park 2 ll be bigger, with a capacity for 2,500 ople. The centres in Pune, ubaneswar, Mangalore, and Chen- are also in the throes of expansion 2003, the employee ranks are likely more than double to 10,000.

Murthy says his top concern is to tain the soul of a small, nimble-oted enterprise even as he recruits more people. Furthermore, he would ke to see the employee roster, now rgely Indian, become more multicul-tural in keeping with his vision of ansforming Infosys into a truly global corporation. "I want it to be a place where people of different nationalities, religions, and races come together to work in an environment of harmony and meritocracy," he says wistfully. In an important step, the company is opening its first over- as software development centre in Toronto next month.

While Murthy is determined to move up the value chain, he's not fixated about converting Infosys from a largely services supplier to a product company. "In fact, in the Net economy it is service companies like Amazon, eBay, and Priceline that are growing. I don't subscribe to the traditional thinking that one must necessarily have a product," he says firmly.

Breaking away

Breaking from conventional wisdom is an art that the independent-minded Murthy honed early in life. Growing up in a lower-middle-class family in Mysore, he felt the weight of his father's expectations, who was keen that his youngest son join the civil services. But Murthy harboured a different dream: to be a junior engineer working at hydroelectric power plants.

Then along came the IIT Kanpur turning point. The faculty was full of young, American-educated professors brimming with energy, providing a heady, intellectual cocktail for the earnest student. Thanks to IIT's links



From Murthy's album

with eight American universities, the institute was at the receiving end of their largesse. Thus, when MIT got its IBM 7094 computer, an IBM 7044 was shipped out to Kanpur. Introduced to this 'wonder machine', Murthy was hooked.

Trained in computer sciences, a new frontier then, Murthy naturally had the pick of jobs as a post graduate. Turning down better-paying offers from giants like Air-India, HMT, ECIL, and Telco, he made a curious choice: to join as chief systems programmer at the Indian Institute of Management (IIM) Ahmedabad. The pitch made by IIM professor of information systems J.G. Krishnayya, who visited Kanpur, excited Murthy.

IIM was in the process of installing a Hewlett-Packard minicomputer and would be the second business school after Stanford to have a time-sharing operating system. It would mean working almost 20 hours a day, warned Krishnayya, but it provided a great learning opportunity. Taking this first job at Rs800 a month, Murthy recalls, "was the best decision of my life".

Yes, there were the 20-hour work days which found Murthy returning to his apartment at 3 am very often, but then there was the chance to do cutting-edge work like designing and implementing the country's first BASIC interpreter (for ECIL). From Krishnayya, whom Murthy regards as his mentor, he learnt to aspire for ever higher targets.

"Murthy was smart, but that wasn't all. He had a seriousness about him and a genuine desire to make a difference. He picked up challenges very well. He never asked, how do I go about it? He just went ahead and did it," recalls Krishnayya, who now runs the not-for-profit Systems Research Institute in Pune as executive director. Impressed, Krishnayya recommended Murthy's name to Sesa, a French software company that was looking to hire programmers for a special project.

Sesa was one of a consortium of several companies involved in building an operating system for handling air cargo at the Charles de Gaulle airport in Paris. Murthy, who didn't know French and had won scholarships to do his PhD in both the US and Israel, was once again challenged. A PhD, he figured, could always be pursued later. That it was in France, a country with a strong socialist tradition, appealed to the staunch Leftist in him.

True to form, Murthy worked like a dervish, taking it upon himself to master French as quickly as possible. (He speaks French fluently today.) The two years in Paris influenced his thinking deeply and changed his political outlook. He took note that even in a socialist country, it was clearly understood that wealth has to be first created before it can be distributed. And that there could only be a few

wealth-creators with the government acting as their facilitator.

At the end of his contract Murthy donated most of his earnings and decided to go back home over land with $450 in his pocket. It was at Nis, a border town near Bulgaria, from where he boarded the Sofia Express, that he was to lose his illusions about socialism completely.

In a case of mistaken identity, Murthy was hauled out of the train by the gendarme and locked up in jail for nearly three days. On release he was told that he'd been spared because he was from a friendly country. "I realised then that any system that treated its friends this way had to be flawed," he recalls. After 11 months on the road – the only flight he took was from Kabul to Amritsar – Murthy landed in Pune.



Murthy with his Bangalore team

There Krishnayya was in the process of setting up SRI and Murthy teamed up again with his old mentor, fired by an idealism to work for a non-profit enterprise. It was a somewhat frustrating experience. SRI applied systems theory for solving problems in the area of public systems. Trouble was that having the government as sole customer often meant that their reports ended up gathering dust in various ministries.

But it was in Pune that Murthy met his wife Sudha Kulkarni, also an electrical engineer, who was then working at Telco. After a three-year courtship they married in 1978, by which time Murthy had left SRI and begun consulting with Patni Computer Systems (PCS), a Mumbai-based company. The Kulkarnis, who hail from Hubli in Northern Karnataka, could not have approved wholeheartedly of their daughter's choice: he was, as they said then, from the wrong side of the Tungabhadra river.

Joining PCS as head of software, Murthy got a chance to see how wealth was created by the three Patni brothers. PCS, at the time represented Data General and Murthy's division was focused on developing software for Data General machines. Building the software team, Murthy recruited those six professionals who were to eventually partner him in his first experiment of 'creating wealth'.

For Nilekani, S. Gopalakrishnan, and Ashok Arora (who migrated to the US in 1989) it was their first job. N.S. Raghavan joined from Union Carbide, K. Dinesh from NGEF Bangalore and S. Shibulal from BEST, a PCS client. All of them came from similar middle-class backgrounds and subscribed to the strong work ethic that Murthy believed in. "This value system," says Murthy, "is the real strength of Infosys. It was all unwritten but extremely well-practiced. If I were to get another opportunity to do it again I would never ask for anyone else these are truly remarkable people."

When he mooted the idea of crea ing a software supplier leveragin Indian skills and aimed at overse markets, they readily bought into th concept. Infosys Consultants wa formed in July 1981 with the poole savings of the seven partners Rs10,000, mostly borrowed from the wives. Murthy's HDFC-financed Shiva jinagar apartment in Pune was the firs registered office.

Slow journey

Sitting on top of the hill now, Murth could well have a different view of th world, but he hasn't allowed himsel to forget the journey up there. It was struggle very step of the way. The firs contract came from the US-base Databasics, a one-time PCS customer The company was planning to set u its own software group in India. Wh not give him the contract instead Murthy suggested. In the initial years while his partners worked on-site with clients in the US, Murthy staye behind in India to set up the infra structure.

Though the concept of offshor development was unknown then, th Infy men were clear right from day on that they wanted to add value fro India eventually. But getting a licenc to import a computer in that restric tive age took anywhere from 12 to 2 months. Then there was an unex pected tightening of rules o computer exports from the Americar side. Consequently Murthy had t park himself in the US for four month to lobby the export services adminis tration in Washington.

He nostalgically recalls those frus trating days, when the only bonus wa that he had plenty of time to han around Carnegie Hall in New York Orchestra rehearsals were free and open to the public and Murthy, a bi fan of Western classical music, showed up regularly. But the waiting period took toll of his family life. His enginee wife Sudha, who had quit Telco when Infosys was set up, took their children Akshata and Rohan and went to live with her parents in Hubli for a year.

Murthy is keenly aware of the caree and personal sacrifices Sudha willingly

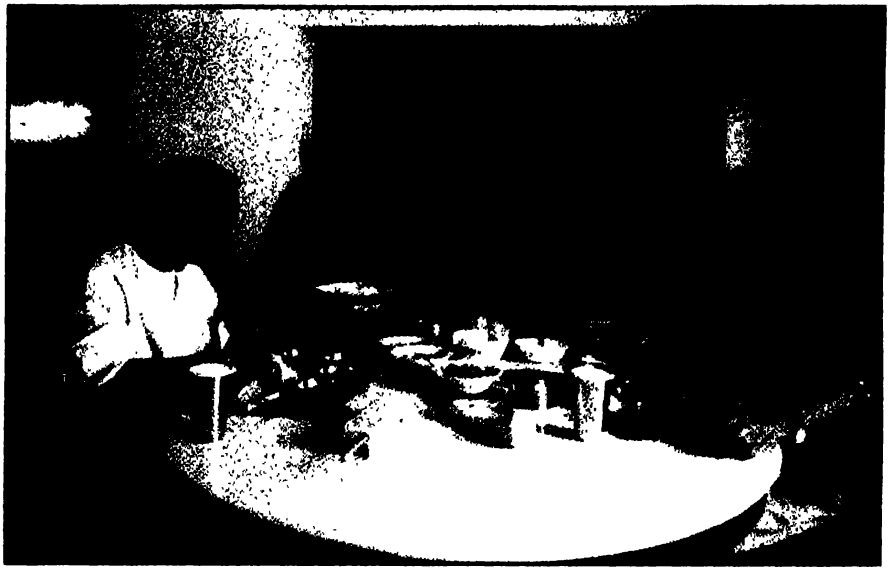
de for the Infosys cause. Indeed, se friends of the couple say that rthy's success owes a lot to his wife. ind you, she had a brilliant acade- career and was one of the earliest men managers at Telco. But she ordinated her professional inter- s and contributed selflessly," says K. raj, commissioner, Bangalore City rporation. On one occasion, when yment from an overseas client was layed, Murthy pawned his family vellery to pay staff salaries.

Today venture capital for this sector is as plentiful as ideas and ambitions, but back then getting finance was a major hurdle. Murthy was counting on a loan from ANZ Grindlays, which had prepared the initial project report. The plan was to import a computer for which a time-sharing contract with Mico had been worked out. But Grindlays refused to give the loan, as did a clutch of other foreign banks.

A chance encounter on a plane with K.S.N. Murthy of KSIIDC brought Murthy to Bangalore. Within a fortnight Infosys had the money – Rs52 lakh – to buy its first computer. Murthy fervently believes that even in this age of angel investors and private equity funds, "there's a clear place for development finance institutions."

With its high-speed data communication links and video-conferencing facilities, Infosys is regarded as a pioneer of the offshore software development model. Today it is difficult to imagine the hardships of establishing the basic infrastructure — it took a year to get a telephone connection. Though Infosys had convinced Datbasics of its competence, the client naturally balked at the prospect of doing the project offshore without a ne of communication to Bangalore. 'Much as we wanted to scale up operations in India, we were hampered," Murthy recalls with a note of regret.

The founders at Infosys take pains o project themselves as a team of quals, but there is an implied hierarhy with Murthy as leader, a role he has discharged very ably. The secret of their staying together so long: this is truly a consensus-driven team that has agreed to subsume their individual egos for the overarching cause. The seamless succession this year when



Murthy at home with his wife and son

Nilekani took operational charge was a consensus decision driven by a practical consideration: "We will need a younger, more energetic person to lead Infosys in the future," acknowledges Raghavan, who stepped aside.

It is a little-known fact that the Infy men had contemplated selling out in 1990. The company was still floundering and despondency had set in. Murthy was disturbed. In a confident gesture, he offered to buy his partners out. I know it's going to be tough in this country but I have faith that there will be light at the end of the tunnel, he argued persuasively.

First amongst equals

Within minutes the mood lifted, and the partners resolved to resume the marathon and never ever to contemplate giving up. They continued with their bootstrap model – generating income and ploughing it back — with a newfound confidence. "Leadership is about making what seems impossible, possible," Murthy believes. "It's about changing the perception of what reality is." Gopalakrishnan adds: "He's always gets us thinking about impossible tasks and sets stretch targets."

Looking back, Murthy feels the big breakthrough for Infosys came with economic liberalisation after 1991. The numbers endorse this. The company's turnover, a mere Rs5 crore then, has grown 100-fold since. "If there is one company that symbolises all the good that came out of liberalisation it is Infosys," says Murthy.

Restrictions on computer imports were lifted, free pricing of equity was introduced with the abolishing of the office of the controller of capital issues, and foreign exchange controls were eased to allow companies to call in foreign consultants and open offices overseas. High-speed data communication became more affordable when, for example, the Department of Electronics installed an earth station in Bangalore. "These policy changes radically altered the economics of the software industry," confirms N. Vittal, who was then with the DoE and now heads the Central Vigilance Commission.

The free-marketer in Murthy was tested when multinationals were allowed to establish 100 per cent subsidiaries. As IBM, Hewlett-Packard, and Sun came rushing in, Infosys had to go through some serious introspection. "Many people told us our game was up," Raghavan remembers, "that we would begin losing people in droves to the MNCs." As the then president of Nasscom, Murthy could have easily lobbied the government against allowing MNCs 100 per cent ownership.

Instead, he and his colleagues chose to think out of the box: why not provide a work environment, benefits, and facilities that would match the best in the world? Infoscions have the

advantage of flexible working hours, buses to ferry them to and from the office, and a workplace where even their leisure needs are met. "Our assets walk out every evening, mentally and physically exhausted. We have to ensure that they come back the next morning with a zest to work," explains Murthy.

Sharing wealth

The first mission statement of the company reflected Murthy's obsession with creating and distributing wealth. This found expression in the path-breaking employee stock option plan (ESOP) instituted in 1994 following the company's IPO in 1993. At a premium of Rs85 a share, the issue barely scraped through, which is a comment on the prevailing ignorance of investors about this sector. Infosys was the first to adopt a companywide performance-based plan that cut right across the hierarchy. Today there are almost 100 Infoscions who are billionaires and 1,800 millionaires. These include people like Murthy's driver Kannan, whose portfolio of 2,000 shares is worth almost Rs2 crore.

A visit to the parking lot confirms that no one is flaunting their newfound wealth — value-for-money Maruti cars are preferred vehicles. Rajiv Kuchhal, an associate vice-president, still drives a Maruti 800 although he can afford fancier wheels. The top executives' riches (*see table*) has changed neither their work nor lifestyles. Murthy sets the tone. He still puts in 12-hour days, working even on weekends. (When *Business India* publisher Ashok Advani phoned him on Sunday afternoon to inform him about his selection, Murthy was at the office!)

The door to his office is always open and that's not a symbolic gesture. Junior Infoscions confirm that he's approachable and answers every e-mail. Observes Diju Raha, former vice-president at Nortel, Canada, "He's the only senior businessperson I know who has the time to meet and greet everyone. I once told Murthy that he must have learnt how to manufacture time." Murthy confesses that the secret lies in his one-line advice to young professionals: early to bed, early to rise, and work like hell.



There is no looking back for Murthy

The older corporate office conveys the look of an academic institution with functional furniture and no air-conditioners except in the conference rooms. Egalitarianism in the workplace is on full display here and this stems from an obsession of maintaining the dignity of professionals. These values are not just preached but put into practice by the directors. For example, Raghavan's children worked for other companies before they left to study in the US. "And Sudha has never once visited this room," says Murthy, pointing to his minimalist office.

Remarkably, in his personal life, Murthy appears almost untouched by his wealth and still lives like the middle-class Mysore Brahmin that he is at heart. Which means no Armani suits or weekends on the golf course. He continues to live in a modest, sparsely furnished three-bedroom house in the middle-class setting of Jayanagar. The Murthys and their son Rohan (daughter Akshata is studying in the US as a sophomore at Claremont McKenna College) employ no domestic help and do their own housework. The only luxuries Murthy allows himself is a chauffeur-driven Opel Astra, electronic gizmos and books.

Friends of the family admire the Murthys' determination to donate the bulk of their wealth. As Murthy explains, "Beyond a certain level of comfort I think one's wealth should be seen as an opportunity to make a difference to society. The power of money is the power to give." In the last one year the Murthys have donated about Rs20 crore to various educational institutes and other causes. His partners have been equally generous (*see table*). As chairman of the endowment committee at IIT Kanpur "Murthy is very dedicated," gushes IIT director professor K.A. Padmanabhan. "This has become his mission."

At the corporate level Infosys has set up the Infosys Foundation, to which it contributes 1 per cent of net profits. Over a period of time Murthy would like to increase this contribution to 5 per cent. Sudha is actively involved in the foundation, which works for the rural poor in remote villages in Karnataka, Orissa, Tamil Nadu, and Maharashtra.

When he returns home every night Murthy unwinds to the strains of Western classical music. Back in the '60s it was a Sunday ritual for the family to tune into AIR's one-hour music programme. One day, when Murthy asked his father why it was necessary to listen to this 'alien' music at all, he patiently explained: "In a symphony there are over a 100 people, each one a maestro; but when they come together as a team to play according to a script and under a conductor, they produce something divine." Little could he have known then that his son would take this lesson to heart and put it into practice in such a unique and inspiring way.

◆ NAAZNEEN KARMALI

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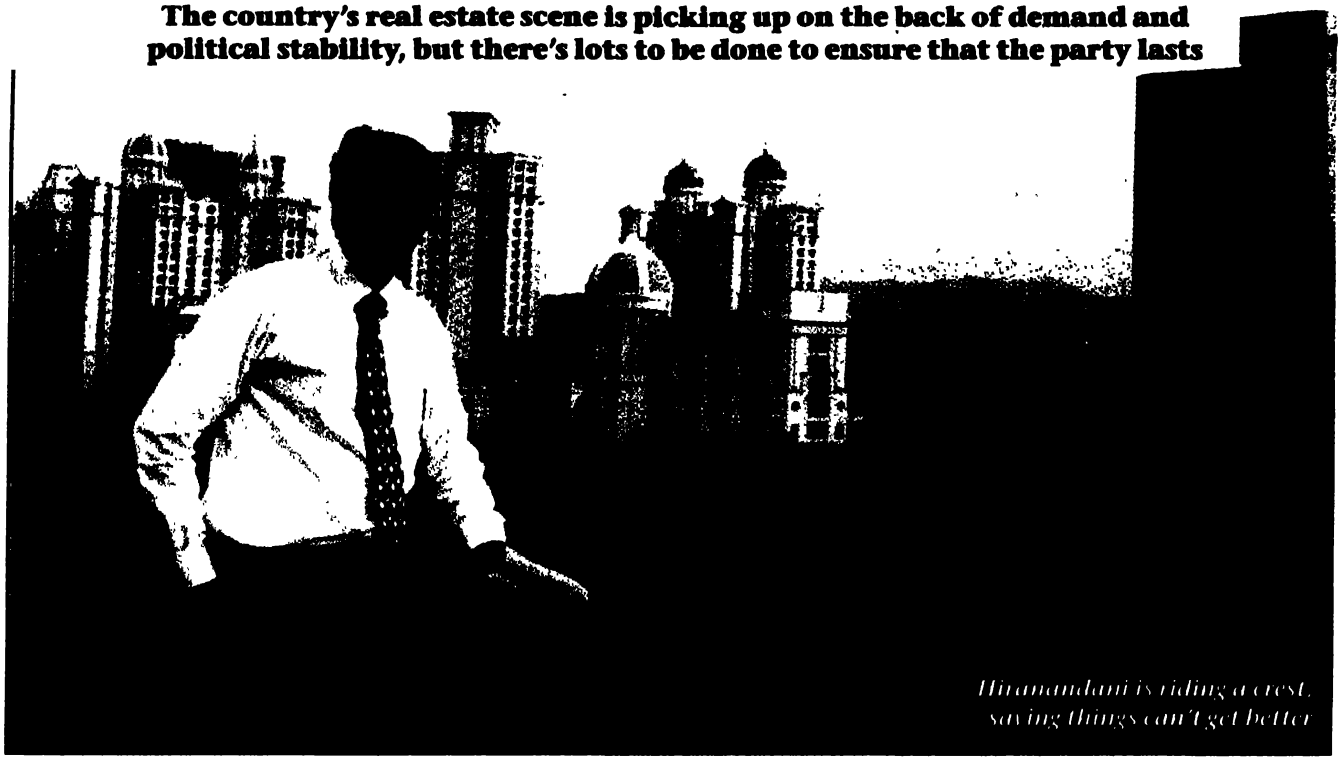
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It's getting real, finally

The country's real estate scene is picking up on the back of demand and political stability, but there's lots to be done to ensure that the party lasts



Hiranandani is riding a crest, saying things can't get better

Improved market sentiment and political stability have led to a paradigm shift in the property sector across the country. Real estate is finally coming out of the doldrums – though prices are neither zooming up nor is demand outstripping supply – and property investors are being replaced by owner-occupiers. This, in turn, has curbed the incidence of black money.

But before one has visions of purchasing a split-level bay view accommodation for a song, construction industry sources are quick to point out the constraints that continue to hound them, thwarting the real estate segment from really opening up.

Kumar Gera, whos is president of the Confederation of Real Estate Developers' Association of India (Credai), managing director of Gera Developments Pvt Ltd, and president of the Promoters' and Builders' Association of Pune as also a member of the state planning board, is categorical in his view. "If the Centre were to use the housing industry as an engine for economic growth, it could quickly brighten the building sector's prospects in the not too distant future," he says. "But policies that stimulate supply, investment and demand will need to be implemented," he adds.

According to him, the lack of industry status as well as retrograde legislation such as the Rent Control Act of 1947, the Urban Land Ceiling and Regulation Act (Ulcra), 1976, and the stamp duty, levied varyingly by different state governments, have shackled the building trade, throttling the creation of new and affordable housing stock the country desperately needs. He nonetheless sees the building sector now emerging from recession with buyers vying for properties of their choice. "This has happened because the market has bottomed out, and the only direction in which the prices will move is up," he avers. Political stability at the Centre has enhanced such positivity, he adds.

Niranjan Hiranandani, managing director of Hiranandani Constructions Pvt Ltd, says the market has completely turned around since May this year. "Our company is doing unprecedented business with our projects in Powai, Thane, Dahisar and Navi Mumbai picking up hearteningly, as a result of which our business has grown by leaps in volumes, though not so much in terms of prices," he says. He also points out that whereas during the 1991-96 real estate boom there were very few actual users who purchased his properties, which were clinched primarily by property investors, their proportions had interchanged today. Another trend he indicates is that purchasers are now more discerning as regards the properties they buy because of the improving quality of construction and full cheque payments that are becoming the norm. "Previously, it was the investor portfolio that brought in the black money component," he says.

One way in which corporates, MNCs and foreign banks in most metros tried to counter the deterring prices was by optimising the unit value of their property portfolio, which they did by relocating to areas other than the central

siness districts (CBDs) and even to suburbs. Gradually, these corporate oads themselves induced a veritable ilding boom in these rediscovered as, as a result of which trendier uildings with large floor plates mmanding proportionate prices arted looming up. This, in turn, osted the overall value of these emer- nt secondary markets and also epressed somewhat the value of the rimary locations.

In Mumbai, such a shift was from the high-priced CBDs of Flora Fountain, Ballard Estate and Nariman Point to the comparatively cheaper Worli, Lower Parel, the Bandra-Kurla complex and even the relatively distant suburb of Andheri, while in Bangalore, such relocation transpired from the CBDs of Mahatma Gandhi Road, Brigade Road, Residency Road and Cunningham Road to Indiranagar, Airport Road, Basavangudi and Bannerghatta Road. Chennai's Guindy area too metamorphosed from an industrial to a commercial centre on account of the corporate incursion and this trend was reflected in other neighbourhoods like Alwarpet, Anna Nagar and Periyar as well.

Global real estate consultants Cushman & Wakefield, with offices in Mumbai, Delhi and Bangalore, and another due to open in Chennai, reports that this relocation has caused stock in south Mumbai to become



PRAKASH JADHAV

Gera laments that archaic laws are asphyxiating the property market

vacant, placing further downward pressure on values. Prices of the prime office blocks have held their own though, as seen from a major transaction Cushman brokered in September. Large space users in Mumbai have relocated over the past almost two years, thereby releasing over 150,000 sq ft. These include the likes of ICICI, Citibank, Nabard, M&M, IL&FS, Toyo Engineering, IBM and Colgate-Palmolive.

Cushman adds that south Mumbai, however, remains the preferred location of the finance sector and, over the medium term, will remain the country's primary financial precinct. The opening up of the country's insurance sector to foreign equity is also anticipated to boost the real estate market mainly in the metros, with that much demand for office space and executive accommodation being created. Companies that are moving out tend to be the non-financial ones who do not need such expensive real estate. Multinational real estate consultants Colliers Jardine also point to retailing and entertainment as the new thrust areas in the Indian market, with the nature of these businesses being such that it requires them to be located in prime locations. As a result, retail spaces in Mumbai and Chennai are commanding a premium over commercial space in the same localities, they say.

The Indian big-time real estate brokers are also gleeful. Hirji Nagarwalla of Mumbai's reputed Nagarwalla Estates Pvt Ltd says, "The market has no doubt stabilised and I am receiving numerous inquiries once again." He adds that the high-end property segment for both residential and commercial space still commands premium rates, though nowhere near those fabulous levels that prevailed in the past. Such premium properties are in short supply in the very areas such as the downtown business district of Nariman Point where a large number of offices of lesser worth remain unsold despite a slump in their value by around 20 per cent from the high of 1994. Another prominent broker, Chandrakant Nagarkar of the C.N. Group of Companies observes that the advent of multinationals and large corporates has enhanced the demand for spacious upmarket offices, as a result of which the downtown market has picked up slightly by 10 to 20 per cent, belying the anticipation that the prices would sag still further.

This was startlingly evinced in Cushman's landmark deal at Nariman Point recently. In what is evidently one of Mumbai's largest commercial property transactions in recent times, France's Credit Agricole Indosuez Bank purchased the entire eighth floor of Mafatlal Centre for Rs26.78 crore from Mafatlal Industries Ltd. The deal for the

THE CUSHMAN & WAKEFIELD PROPERTY INDEX
Commercial Property – Mumbai

Location	Effective monthly rental* (Rs/sq ft/month)	Sale value (Rs/sq ft)
Nariman Point – A grade	150 to 210	13,500 to 16,000
Nariman Point – B grade	110 to 140	10,000 to 12,000
Nariman Point – C grade	80 to 110	8,000 to 10,000
Worli – A grade	100 to 130	9,500 to 11,000
Worli – B grade	65 to 90	7,000 to 8,500
Lower Parel – A grade	55 to 80	4,500 to 5,500
Lower Parel – B grade	40 to 55	4,000 to 4,500
Bandra Kurla – A grade	100 to 130	9,000 to 11,000
Bandra Kurla – B grade	85 to 100	7,500 to 9,000
Andheri Kurla – A grade	70 to 100	4,500 to 5,500
Andheri Kurla – B grade	45 to 70	3,500 to 4,500
Saki Vihar	20 to 40	2,250 to 3,250

** Effective Monthly Rental (EMR) includes the monthly rental plus interest calculated on any advance rental and/or security deposit, at the rate of 14 per cent. Building outgoings such as society charges and municipal taxes are not included in the EMR.*

Rating real estate

The Credit Rating Information Services of India Ltd (Crisil) has extended its credit rating service to property investments by introducing ratings of projects by property developers. These ratings, conducted at the behest of the developer, are expected to guide investors and also lending institutions to determine their loan interest rates for specific projects and the exposure levels of the builders. The companies may request confidentiality in their ratings.

The rating agency notes that investment decisions in this vital sector have been marred by uncertainty in the absence of uniform standards in construction practices or agreements between real estate developers and buyers. "Such ratings are expected to bring various developers on a common scale for the first time and will help evolve standards for real estate development," say Crisil sources. Crisil's rating will pertain to a particular project and not to the company as a whole and is not a recommendation to buy or sell or to invest, they add. Only projects with an approved plan and planning permit from the appropriate local authority will be considered, they point out.

Crisil's system of ratings ranges over five broad categories, from 'PA1', which is for projects where the developer has a high ability to specify and build to agreed quality levels and transfer a clear title to customers within stipulated time schedules, to 'PA5', where the developer is unable to either complete his projects or transfer a clear title. A '+' (plus) sign may also be applied to ratings from PA1 to PA3 to reflect comparative standing within the category.

In its rating methodology, Crisil assesses such key factors as project risk analysis and developer risk analysis. The first concerns the quality of legal title of the property to be conveyed, the quality of construction, and the timeliness of delivery. The second evaluates the track record of the developer, his existing financial position, financial flexibility and management.

Thus, while Raheja Regency in Koramangala of the K. Raheja Group secured PA1+ and Bakeri Engineers and Industries' Sakar III in Ahmedabad and Unitech's Heritage Estates in Bangalore got a PA1, Skyline Construction's Skyline Sugandhi received a PA4 rating. Crisil recently entered into a memorandum of understanding with the Delhi-based National Association of Real Estate Developers' Corporation (NAREDCO) and the National Housing Bank (NHB) for undertaking similar ratings for their members. •

built-up area of 15,645 sq ft worked out to Rs17,117 per sq ft. While this may underscore a resurgent confidence of multinationals in the city's property market, it is pertinent to note that the transaction was delayed by circumstances, with talks having first begun in mid-1996 and thereafter suspended as the purchaser took time off to address some internal developments.

Nagarwalla says that even in the residential segment, there are fewer takers for the less prime flats which commanded grossly unrealistic rates in the past. "All this means that buyers are becoming increasingly discerning and opting mainly for accommodation in buildings that are better constructed and maintained, have better access, view, security and people-to-lift ratio and have decent occupants," he says.

Jim Hollas, associate director in charge of the Mumbai office of global property consultants Chesterton Meghraj, asserts that his firm has had a good turnover, with the market showing an upswing with the pre-election uncertainty now behind us and all economic indicators looking positive with the Centre reaffirming its commitment to the second phase of reforms. "We have large deals in the making, involving major multinationals and Indian corporates," he exults, declining to identify them as the transactions have not been finalised. He points out, however, that as rental values had declined in most of the urban hubs by 10-15 per cent from the peak period, tenants are seeking fresh negotiation of terms and conditions. "And that is where a one-stop property shop like ours can pitch in with our expertise," he mentions. "Besides, with just six major real estate firms such as ours active in India, we face no cut-throat competition and there is enough business for everyone."

Mark Benson, director of Chesterton plc, and Rohin R. Shah, managing director of Meghraj Properties Ltd, both based in London, add that their firm, Frank Knight, and Cushman & Wakefield have decided to synergise their functioning in India and pursue a joint code of ethics where they protect their clients through professional indemnity insurance that helps cover any case of inaccurate advice they may render, causing losses to the client. "We also have close contacts with reputed local brokers as they can source property and maintain grassroots contacts," they say. "It would be difficult to operate without them."

But in its *Myths and Realities of the Bombay Office Market* that was adjudged the world's best market research paper on real estate and won a prestigious British award, Chesterton Meghraj says that the outdated Rent Control Act and the strategic planning policy that has prevented setting up of new office in south Mumbai has frustrated this city's potential to evolve into a "world city". It also points out how government indecision on the question of the development of surplus mill land in Mumbai, estimated at six million sq ft, has denied housing for at least three lakh people. Of the city's 58 cotton textile mills, 26 have been declared sick by the National Textile Corporation.

Chesterton Meghraj, with offices in Mumbai and Delhi and another in the offing in Chennai, mentions that antiquated regulations, obscure business practices and lack of transparency has created a negative image of Mumbai to outsiders and has meant that despite the property slump since 1996, offices and housing are still hugely overpriced in relation to competing international centres, and in comparison to the quality of product available.

This, perhaps, explains why as many as 38 high-value properties have remained unsold with the Income-Tax department's appropriate authority in Mumbai, despite being up for auction several times. The authority appropriates properties it deems



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undervalued under Section 37 (I) of the I-T Act, which concerns properties transacted at Rs75 lakh and above, and sets them up for auction at an additional reserve price which is 15 per cent that of the price quoted. Most have remained unsold since 1995, when the real estate depression was setting in, and several have not found buyers despite being on auction the maximum three times after which tenders are called for. Some have been tied up in litigation, while others have had their purchasers penalised with forfeiture of their earnest money when they either defaulted on their full payment or withdrew from the deal.

The properties include a Rs3.01 crore duplex with two terraces and two open parking spaces at Nymph at the upmarket Narayan Dabholkar Road which has been up for auction since 16 January 1995 and the purchaser's earnest money of Rs17.5 lakh has been forfeited. A Rs9-crore plot of land on the junction of Juhu Tara Road with Linking Road at Santa Cruz has remained unsold through three auctions and also got mired in litigation since 28 December 1994, while a 4,200 sq ft office at Worli's Kakad Chambers, with a price tag of Rs4.32 crore, has been through two auctions since 17 March 1998. Similarly, a Rs70-lakh flat at Himgiri at Peddar Road has suffered three auctions and three tender calls since 26 October 1994.

P.K. Roy, manager (markets) of Lucknow's Rohtas Projects Ltd, says the recession in the construction segment had afflicted only the metro cities, where expectations of NRIs flocking in droves to corner fabulously-priced properties were grossly belied. This, in turn, dimmed the attractiveness of investing in this sector as a whole, clearing the field primarily for actual users. "The rates will remain stable for a while before climbing steadily once the surplus housing stock diminishes," he adds, pointing out that Ulcra's abolition in Uttar Pradesh has given a fillip to the housing segment. "Our company has been most affected by the stamp duty with the allottee having to pay 50 per cent stamp duty upon execution of an 'agreement to sale'," he explains. "This becomes a burden for the purchaser and if the allottee defaults on payment, the developer has little option but to wait or to contest the agreement in court."

Hyderabad-based Builders' Forum vice-president Anil Kumar Kancharia also denies any recession in Hyderabad when compared to other cities. "There is tremendous building activity in the twin cities of Hyderabad and Secunderabad, chiefly because of Hyderabad's evolution into India's foremost centre for infotech," he says. "Other contributory factors have been the new building norms enacted by the state government to decongest the core areas of cities as also the simplification and rationalisation of municipal laws." He foresees a 'bright future' for the industry with an appreciation of 10-20 per cent over the next year. He also feels that the lopsided proportion of the construction cost going towards the cost of the land has encouraged the speculative element in real estate prices.

Asserting that while the absence of an industry status has curtailed accessibility to finances, Kumar Gera suggests that such a status be granted a special category. "This is due to the nature of labour engaged in building construction, which, unlike in industry, cannot be employed at one location throughout the year," he explains. "Specialised labour completes specialised functions and moves to other sites. Hence, it is imperative that the building sector be categorised under a 'special high priority sector' which is treated on par with other infrastructure activity for the purpose of incentives, funding and priorities."

Gera regrets that the 1998 National Housing and Habitat Policy recommendation to bring down stamp duty to 2-3 per cent has not been implemented. "The stamp duty is an unnecessary burden on the house buyer and adds to home ownership costs," he says. He also observes that while the Centre repealed Ulcra through an ordinance last January, those states persisting with it are institutionalising corruption, as it has only helped create an artificial shortage. The Finance Act 1999 offered various concessions to housing schemes commenced after 1 October 1998 on plots exceeding an acre and completed by 31 March 2001. But Gera says it has been a non-starter as the timeframe is far too short. He counsels a consistent long-term thrust for housing and extending the period for availing of this exemption to 2010. "For large projects, land assembly, passing of plans, clearing all hurdles, obtaining finance and executing the project is not just a two- three-year cycle," he says.

According to him, Section 32 of the Income-Tax Act, 1961, which permits corporate bodies depreciation of 40 per cent on residential units acquired for their employees should be extended to all assessees, including private limited



Hollas, Shah and Benson perceive an encouraging upswing

:npanies, partnerships and trusts. "If apping the Rent Control Act is polit-ılly inconvenient, then at least all ıidential and commercial properties :en out after 1 April 1997 should be ıtside the purview of any protection, ı this will increase the housing stock ıd availability of rental and commer-ıl housing," he says.

The 25 per cent standard deduction ıder Section 24 for rental income eeds to be doubled, Gera says, and the 00 per cent FDI in housing and urban evelopment now awaiting Cabinet pproval should instead be up to 51 per nt with a three-year lock-in period for reenfield projects. The NHB Act needs ı be amended to introduce speedy oreclosure laws that will also enable sset securitisation for cheaper finance, e says. He also recommends raising ıe current tax deductible limit of s75,000 for interest paid on housing provided under Section 24 (2) to Rs2 lakh.

Nevertheless, even the Rs75,000 limit, introduced in this year's Union budget and up from Rs15,000 that prevailed earlier, has helped kickstart India's mortgage industry as it encouraged more people to go in for housing loans. Housing Finance Companies (HFCs) have already registered a spurt in applications. Housing Development Finance Corporation (HDFC) managing director Deepak M. Satwalekar says loan approvals during the six-month period ending 30 September 1999 amounted to Rs2,371.03 crore, a 27 per ent increase over the previous year's orresponding period. Similarly, loan lisbursements spurted 25 per cent to s1,888.77 crore. Approvals and lisbursements in respect of individual oans also registered respective ıcreases of 35 and 38 per cent.

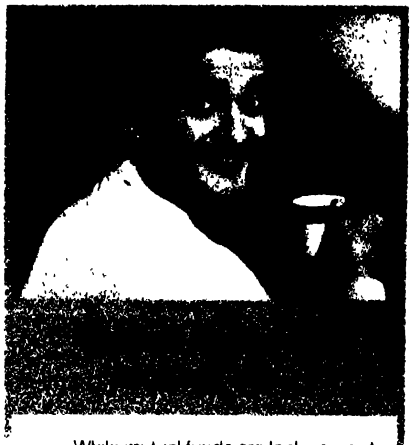
Scheduled commercial banks are lso now required to lend 3 per cent arlier 1.5 per cent) of their incremen-l deposits to the housing sector, and s this is considered priority lending, ney can meet their priority sector lend-ng requirements. Their growing enchant for the housing finance busi-ness may be spurred by their anticipa-ion of the foreclosure law, which the arlier Cabinet had already cleared hrough an amendment to the NHB Act. But before it could be introduced in Parliament, the government fell. By providing the assurance that a borrower will not continue to default indefinitely, foreclosure laws will enable HFCs to sell their outstanding portfolios to financial institutions and will increase interaction between the capital markets and the mortgages business.

Says property consultant Sanjiv Jhangiani, who is partner at K. Mohan Housing Corporation, "Obsolete, anti-people legislations like the Rent Control Act and Ulcra, which hinder construction activity, have made urban property so artificially exorbitant that crime syndicates have moved in, spoiling for the lucre; there are also family feuds as a result and endless litigation."

Cushman & Wakefield's general manager-agency, Matthew Walker, claims that the advent of global real estate agencies such as his and others into India have brought in professional standards, and transparency, in commercial realty transactions, infusing the real estate sector with reliability, respectability and professionalism. He remarks that their international image assures their clients above-the-board deals without unaccounted transactions or complications at a later stage. "Even those local brokers who operated in shabby attire out of pokey back offices now feel the need to be more presentable," he adds.

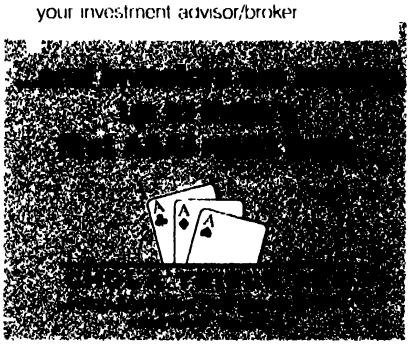
Hiranandani is riding a crest, pointing out that while just six months ago, he had 120 unsold flats in Powai, today all but two have been sold out and that too to owner occupants. The improved market sentiment is also perceptible from the fact within the past year-and-a-half, more five-star hotel rooms have been created in Mumbai's suburbs than in the downtown area with the construction of Hyatt, ITC sheraton, Meridien, Taj, the Suris' Bharat Hotels, the Leela extension and Regent. A convention centre by MHADA and Hudco is also on the cards at Bandra Reclamation, he adds. "The next millennium will certainly be a buyer's market," he predicts. "But the process will ensure the survival of only the top builders who will elbow out the smaller players from the field through consolidations, mergers and the like."

• SAROSH BANA



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The great Indian FM whirligig

With an open auction likely to take place in January for the FM radio stations, a consortium has already been formed in Mumbai and Delhi for using common infrastructure



SATISH GOSWAMI

Arun Arora says that the Times group is committed to the radio business

Ladies and gentlemen, the great Indian FM broadcasters' cavalcade is marching ahead. All the usual suspects are there. In the main, media houses in search of the elusive media multiplier golden fleece. An assortment of publishing giants – Times FM (Bennett, Coleman & Co), Living Media India (*India Today*), The Hindustan Times, Indian Express Newspapers, Mid-Day (Radio Mid-Day), Observer Network, as also *Business India* and Jagran Prakashan. Electronic media players like Zee Telefilms, Udaya TV, Modi Entertainment Network, Jain Studios, Asianet, Nimbus Communications *et al* have also thrown their hats into the ring.

Incidentally, New Media Broadcasting is also in the race, bidding for the maximum 40 stations. New Media is a Jawahar Goel venture (brother of Zee Telefilms chairman Subhash Chandra). While many reckon that the two brothers have colluded to corner the stations, Zee Publishing CEO and head of the Zee Telefilms radio initiative the high-profile Deepak Shourie, refuted all such claims, "Zee Telefilms has bid for only 40 and we have nothing to do with New Media." Could it then be that the two brothers have fallen out after Jawahar Goel was ousted from Zee News?

Anyway, the common refrain amongst the bidders is that radio is the next big opportunity. Arun Arora, CEO of Times Entertainment, says: "We are a revenue-driven company and the Times group is committed to the radio business as it is very much in synch with the entertainment intent of the company. With the increasing convergence between media and entertainment, as they go hand in hand, we have always been in a leadership position since our marketing and distribution strengths are all powerful."

"Radio is a great, exciting medium, it is the business of the future and with the process of transparent bidding in an open auction, it remains to be seen how many serious players will stay in the game. However, at the moment we have just applied, so we have adopted a wait-and-watch approach," Shourie adds.

A word of caution though emanates from the sober Tariq Ansari, managing director of the Mid-Day group of publications (Radio Mid-Day): "The hype about FM is perhaps a little more than reality. There is no doubt that radio is an interesting advertising opportunity, but not for all businesses at all times. In the past we were successful because of well-targeted promotion and a monopolistic situation. This will not remain so in the new scheme."

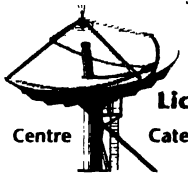
But the moot point is whether the hype associated with radio as an advertising opportunity is justified. For, while the advertising pie is growing all the time, it is concurrently getting fragmented. Fawzia Madni, general

anager (marketing) of Times FM says: n 1997-98, when the air time licences ere withdrawn, the total adspend for e five cities where FM was operaonal (Mumbai, Delhi, Calcutta, hennai and Goa) was Rs25 crore per nnum. Undoubtedly, Times FM was at he vanguard, attracting premier lients like Coke, Limca, MaxTouch, PL, Essar (cellular), Command, astrol, Colgate, HLL, Citibank and anChart, among others."

In its previous *avatar*, FM radio ecame popular in Mumbai and elhi, primarily on the road, as utomobile drivers and passengers in hese two cities found it a pleasant ption as they commuted between the huge distances in their cities. The rush into FM seems like the typical Indian reaction of rushing to acquire licences in any new sphere of activity. Unlike in the past, an FM radio station is going to be a highly capital-intensive business. For instance, the last time round, air time was licensed out on one frequency, say, Times FM, for nine hours daily in the four metros and for five hours in Goa for merely providing software. This time, however, the onus will be on each player to invest in infrastructure and hardware.



Deepak Shourie believes that FM radio is the business of the future



Licence fee structure

Centre	Category	No of channels	Reserve licence fee
Mumbai	A+	10	125
Delhi	A+	11	125
Calcutta	A	11	100
Chennai	A	10	100
Bangalore	A	5	100
Hyderabad	B	3	75
Ahmedabad	B	3	75
Lucknow	C	3	50
Indore	C	4	50
Pune	C	6	50
Vishakhapatnam	C	7	50
Chandigarh	C		50
Cochin	C		50
Coimbatore	C		50
Jallandhar	C		50
Jaipur	C		50
Kanpur	C		50
Ludhiana	C		50
Madurai	C		50
Nagpur	C		50
Patna	C	2	50
Panaji	C	2	50
Srinagar	C	2	50
Tiruchi	C	1	50
Thiruvananthapuram	C	1	50
Agra	D	1	20
Allahabad	D	1	20
Amritsar	D	1	20
Bhopal	D	2	20
Bhubaneshwar	D	1	20
Coimbatore	D	1	20
Cuttack	D	2	20
Dehradun	D	1	20
Guwahati	D	1	20
Gwalior	D	1	20
Hubli	D	1	20
Jabalpur	D	1	20
Jammu	D	1	20
Kochi	D	1	20
Kota	D	1	20
Madurai	D	1	20
Mangalore	D	1	20
Mysore	D	1	20
Nasik	D	1	20
Pondicherry	D	1	20
Raipur	D	1	20
Ranchi	D	1	20
Shimla	D	1	20
Surat	D	1	20
Trivandrum	D	1	20
Udaipur	D	1	20
Vadodara	D	1	20
Varanasi	D	1	20
Vijayawada	D	1	20
Visakhapatnam	D	1	20

Then there are new players like Indigo Radio, part of the BPL group, who have applied for nine stations (*see chart*). They are not looking at the media multiplier, but a different sort of synergy. As BPL Telecom CMD Rajeev Chandrasekhar says: "Indigo Radio is part of our overall effort to diversify our consumer electronics portfolio from being hardware-centric to a mix of hardware and software." Indigo Radio business development manager Vinod Janardhan adds: "While Cassandras are pointing out that this business will cost big bucks to establish, we have our own revenue model in place. There is definite scepticism over advertising revenues moving from television to radio, but we believe that the FM media is very powerful and hasn't been exploited properly in this country. Broadcasting had little flexibility in this country till the early 1990s, but now there are many avenues to bundle time. Nobody is saying that creating a FM media is going to be easy, but Indigo is fortunate in that it is backed by the technological edge of the BPL group."

Zee's Shourie gives the example of the US market where FM is an unprecedented success. At the same time, he feels that the open auction date will be fixed soon as the new I&B minister of state, Arun Jaitley, is very keen on jumpstarting the great Indian FM bazaar. But 360 applicants for 108 stations in 40 locations is obviously a bit too much. However, there are locations where there is a paucity of applicants. Shourie gives the example of Vizag where seven frequencies are up for grabs and the I&B ministry has received only five applications. As Times' Madni avers: "The Times has already pulled out of four centres, including Vizag, Srinagar and Tirunelveli because we think they are not going to be economically viable."

Harsh economic reality is already dictating the next moves of serious players. Other than the four metros and the four mini metros, it will only be the next tier of four class A town which will see some sort of adspend. Moths to the flame could be the best analogy at this stage of the game, for it will only be committed players with deep pockets who will be the marathon men.

Says Madni: "Times FM is a pioneer broadcaster in this country which effectively 'renaissanced' radio, providing a confluence between

advertisers and listeners. We not only brought back an old generation of radio listeners, but introduced radio to a brand new generation." In the old days *Binaca Geet Mala*, *Bournvita Quiz Contest* and *Inspector Eagle* were some of the programmes on radio which managed the breakthrough benefit. Madni adds: "We turned Times FM into a brand and showed the media and entertainment world that radio has a rightful place in the media map of this country. From 1993, when FM radio was first thrown open, this business has really come a long way. FM today is a lifestyle with tremendous potential."

It is obvious that that there will be a disproportionate adspend within the metros and mini metros. But the airwaves are attracting a lot of attention despite the fact that entry costs are going to be steep. Analysts say that the cost of each radio station is going to be a whopping Rs4 crore-plus (excluding licence) fee working capital requirements. The costing for the metros will be on the slightly higher side. To set up FM operations, one will require a lot – transmission tower, studio with hardware, transmitter, manpower, devising programming matrix, marketing strategy, pricing and promotion. The open auction, scheduled for sometime in January, will decide who will run which frequency where. Ansari says: "We will try our best to maximise revenue in the licences that we get. Break-even levels are hard to assess at the present time, since the licence fee itself is still unclear."

The I&B ministry has segmentised the stations into three broad categories:

Group I: Four cities – Mumbai, Delhi, Calcutta and Chennai

Group II: Seven cities – Hyderabad, Bangalore, Pune, Ahmedabad, Lucknow, Vizag and Indore



Chandrasekhar is now looking at a mix of hardware and software

Group III: 29 towns.

The players maintain that radio is going to be a cost-effective option and, with the number of aspirants in major locations exceeding the number of licences, the government will have an open auction. The government has already fixed a reserve annual licence fee (*see chart*) and it anticipates that 2000-2001 should see adspends of Rs100 crore accruing to FM radio, which is expected to ramp up to Rs291 crore by 2004-2005.

With the bids at the open auction going up by 10 per cent in each round until the number of players equals the channels, analysts estimate that Mumbai and Delhi could see the winning bids closing out in the vicinity of Rs2 crore, while for Calcutta, Chennai and Bangalore, the creeping limit could close anywhere between Rs1.6 crore and Rs1.8 crore. That is a lot of seed capital and if one adds the 15 per cent annual escalation in licence fees, it could result in one big unholy financial mess for the players. The scenario will then be reminiscent of the telecom tangle. As such, five years would be the minimum

Unmodulated enthusiasm

Company	No. of applications	Company	No. of applications
Living Media India	8	Bhasker Graphic, Indore	1
Bennett, Coleman & Co	40	Bhasker Graphic, Jaipur	1
Jain Studios	1	ACT Shipping	3
The Hindustan Times	7	Bhasker Industries	1
Zee Telefilms	40	Millennium Delhi Broadcast	6
Mahavir Aluminium	1	Kaleidoscope (India)	1
Ishan Research	1	Aban Informatics	3
IRL Marketing	1	Magic Radio	2
Indian Express Newspapers (Bombay)	5	Sitara Radio	2
Sumangal Publication	7	Vertex Broadcasting Company	30
Jagran Prakashan	7	Dream Radio India	2
Udaya TV	4	Kismat Radio	2
Hathway Investment	3	Dhun Radio	2
India FM Radio	9	Pearl Energy Infrastructure	1
Hindustan Broadcasting Co	8	Loksatta Jansatta Traders	1
Link Heights	1*	New Digital Radio	16
Nimbus Communications	8	Hind Broadcasting	7
Neffs (India)	1	Capital Broadcasting	2
Radio Star In Stereo	1	Bollywood Broadcasting	3
Orissa Concrete and Allied	1	Gujarat Broadcasting	1
Modi Entertainment Network	4	Geet Broadcasting	1
United Liner Agencies of India	1	Suraj Broadcasting	1
Hi-tech Industries	1	Kismat Broadcasting	1
Arya Communications & Electronics Services	1	Raj Telefilms	1
Radio Mid-Day West	2	Dolly Entertainent	4
Mid-Day Radio North	2	South Asia Multimedia	3
Mid-Day Broadcasting South	2	Hitz FM Radio India	4
Writers & Publishers	3	Carnival Investment	4
Indigo Radio	9	Dakshin Bharat Petrochem	8
Asianet	2	Music Broadcast	8
New Media Broadcasting	40	Observer Network	16
Profitech Trade & Investment	2	Moving Picture Company	13
		Business India	1
		JM Performance	3
		Sharvya Investment	4
Total			257

ak-even time span and to sustain e business for that long will ave only the very serious, cash-rich ayers in the field.

Mid-Day's Ansari says, "The option o an open auction is a subjective view of the applicants. This process as some very clear weakness in India. ince there are multiple licences, a ighest bid process is also inappropri-te. Mid-Day's strategy is being eveloped in this regard. Though I nust point out that the creeping annual escalation by 15 per cent every ear in licence fees will hit the economic viability."

Capital intensive business

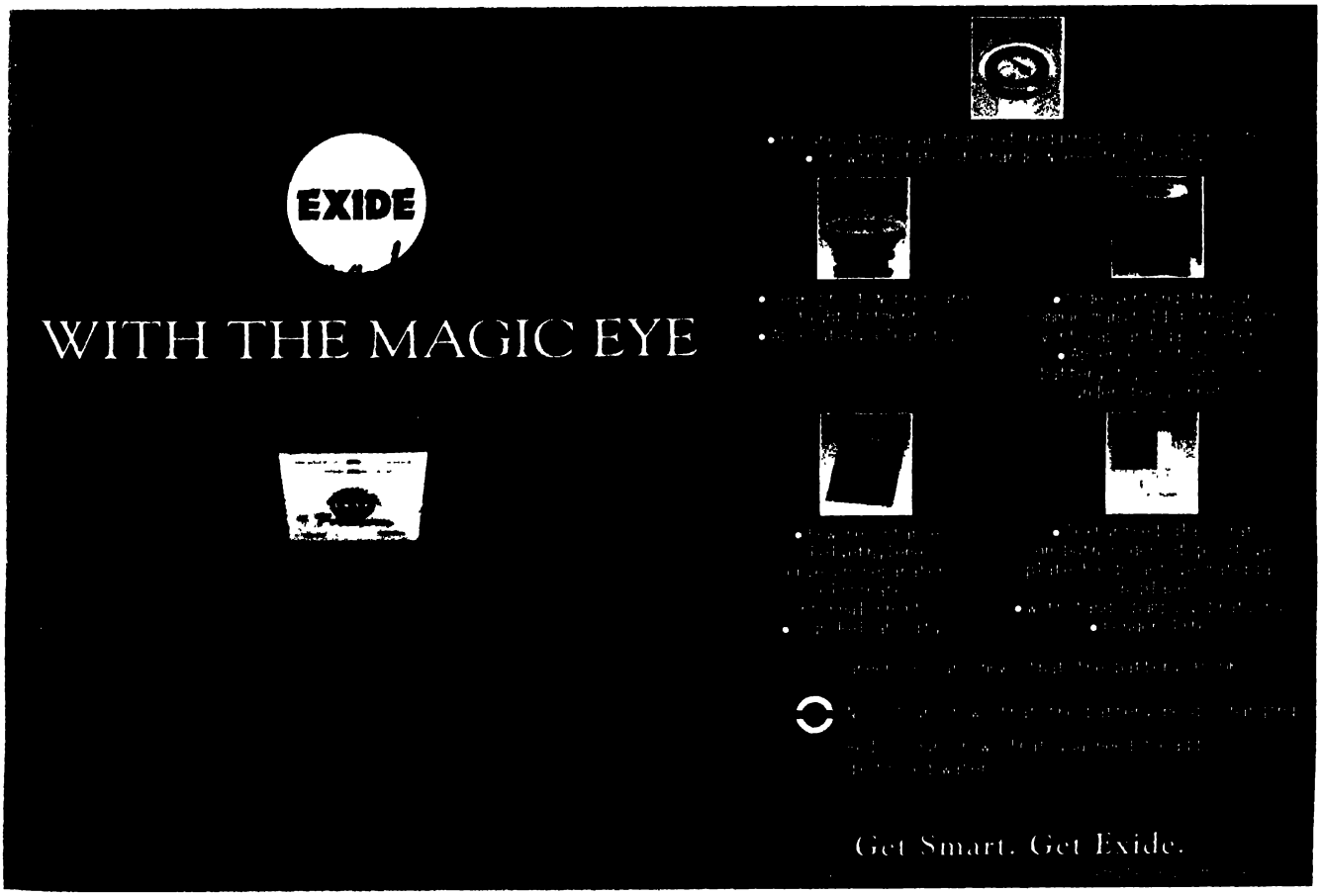
Madni says, "The Times group is committed to a huge investment of upwards of Rs60 crore in this business simply because we believe in it. We succeeded in it at a time when the world laughed at us for venturing into FM radio. But we ended up creating a vibrant living brand with great saliency and an integral part of the media consumption of listeners, and more importantly the media plans of advertisers." It is pertinent to mention that when AIR pulled the plug, both Times FM and Radio Mid-Day had become profitable.

This time round, different players will have different agendas, Indigo Radio may well be looking at a convergence opportunity whereby FM could be used at a later date to transmit data. This will fit in perfectly with BPL Telecom's initiative of convergence between telecom and datacom, as also using radio telephony as a carrier for data transfer. With its cellular backbone in place in southern India, BPL will thus be at an advantage to meet the contemporary demands of data and technological convergence. Tariq Ansari disagrees, "While that is a possibility, it is relevant to point out that the usage of FM frequencies for data transmission has not been very successful in other countries."

FM radio will be a content-driven business and the winners will be the players who will provide good programming working in conjunction with strength in marketing. This time, it's not a few hours but 24 hours of radio programming. Peak hour spots will have to be bundled with bonuses on non-peak hours and the solution may well be the MTV model. Which means rapid Indianisation of the programming content, unleashing the power of celebrities and star interviews and systematically unlocking the value of Hindi and regional cinema.

It will take almost eight to nine months after the allocation of frequencies for the players to get their acts ready. By the third quarter of 2000, we shall see the first radio stations rolling out. And as a sign of the times, a serious dialogue is already underway between the 10 expected players in Mumbai and the 11 in Delhi to form a consortium where all of them will get together and pool resources to build common usage facilities in the two cities. This will significantly reduce the cost burden on the players who win the licences for a common tower, transmitter and studio will help them move to the next level.

• SANDEEP BAMZAI





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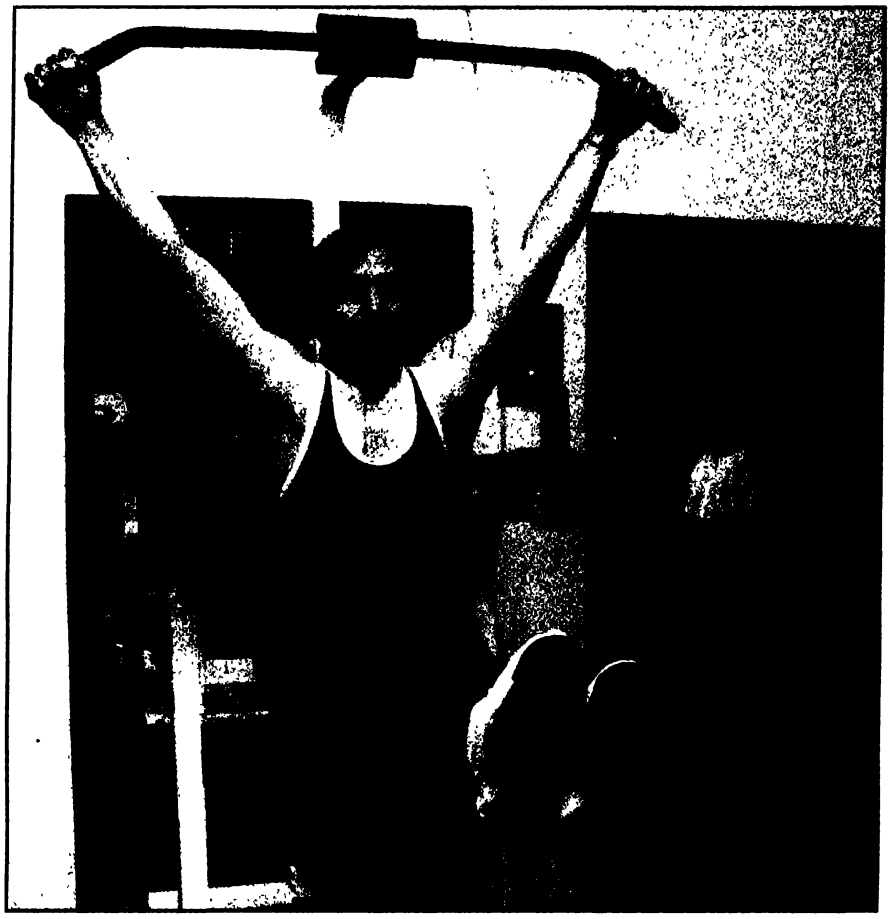
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Pump priming Glaxo

The country's top pharma company, Glaxo-Wellcome, appears to be hitting all the right notes with a welter of initiatives to kick-start its Year 2000 action plan



Khusrokhan sees a political will not to default on the WTO deadlines

Glaxo-Wellcome managing director Homi Khusrokhan punches in the keys on his notebook as he dashes off an e-mail, flagging it confidential and code-naming it 'Magnificent Seven'. The mail is for his executive vice-president (pharma sales and marketing) V.V.S. Kashyap and is classified information as it is about the restructuring operations underway at India's *numero uno* pharmaceutical company. It is 4.13 am, but Khusrokhan is hard at work.

A few hours later, at Glaxo's sprawling seven acre facility in Mumbai's Worli area, Khusrokhan, Kashyap and the seven heads of the newly-constituted strategic business units (Harcharan Singh, K.N. Chandrasekharan, Ravi Limaye, Himanshu Buch, Naresh Katara, Ashok Bhattacharya and Rajiv Bartaria) are in hectic talks to thrash out the new structures and systems so that down-the-line speciality focus can crank up the company's top and bottomline. Glaxo-Wellcome chairman, the astute Deepak Parekh, is very clear that the new initiatives will help the company retain its leadership position in the highly fragmented pharma sweepstakes, "We are number one and will remain number one," he asserts.

Meanwhile, technical director Gopal Nair is on the phone talking to his Asia Pacific director Ranthi Dev based in Singapore. The 47-acre, highly cost-effective Nashik manufacturing unit has been designated a centre of excellence as part of Glaxo-Wellcome's global intent of outsourcing requirements. The concept, called 'Power of One', will involve manufacturing rationalisation on an international scale Project WM&S (worldwide manufacturing and supply system) will entail one set of standards, specifications and product profile across 70 Glaxo-Wellcome locations. Such a radical departure from the past will mean that Glaxo-Wellcome becomes a networked and linked organisation.

As Nair says, "We are now rolling out the processes which should be deliverable by end 2000 or early 2001. The potential is that we could be the supplier to any other site, primarily in the Asia Pacific area. While the 'active' Ranitidine (used for what was once the best selling anti-ulcerant product Zinetac) is already being rolled out, we are now talking of finished products. The rationale being that a site offering a cheaper cost of product would not only drive savings, but concurrently deliver quality." It should be mentioned that a 25 per cent cut in the price of Ranitidine by the National Pharma Pricing Authority has turned Zinetac into a economically unviable product.

Analysts maintain that Glaxo (sales projections of Rs1,137 crore for 31 December 1999; *see chart*) has been the market leader for more than two decades and that it is high time the company effectively leveraged its marketing strength to establish its complete suzerainty. Importantly, as the patent regime comes into place, Glaxo-Wellcome, with the inherent advantage of being an MNC, will be poised on the springboard. As Kashyap says, "We used to have a 7.1 per cent market share earlier, but now we are down to 6.1 per cent, so it was imperative we changed our approach and reviewed our existing structure."

Says Khusrokhan, "Y2K is the year of creating our future. The new marketplace is evolving rapidly and we have to keep in synch with it. The pharma business is very much akin to a commodity business, crowded and competitive with companies offering the same products. As such



Nair is heading the power of one initiative



Kashyap is leveraging marketing strengths

there is no value differential."

To build on Glaxo's edifice of mass, Khusrokhan (*see interview*) is seeking sustainable competitive advantage by narrow focusing on therapeutic areas. "Products are on trade offer, so we need to derive superior value through therapeutic reclassification and innovative strategies. Our decisions are based on market forces rather than government pricing. With the market share of larger companies having come down, the recast was vital. We will now correct the arithmetical anomaly," he says.

Glaxo is now seriously contemplating an OTC foray. Khusrokhan says, "We are evaluating other means of pharma sales like OTC, e-business and direct-to-consumer marketing methodology. We are waiting and watching, but I don't want to enter with tired old brands. We want to build something which has a long term-future. Remember, Glaxo is 75 years old while Wellcome is 87 years old in India. Marketing new brands through in-licensing and cross-licensing arrangements (with Ranbaxy, Fujisawa of Japan, UCB, SKB and Kopran among others) is the gospel these days for us. Change for facing the challenges of the new century is the new lifeblood."

One needs to add that the OTC market is likely to double to Rs20 billion by FY2002. And it is understood in pharma that if a brand is shifted to OTC, then automatically its growth rate ramps up. For instance, Crocin, which was registering a 10-12 per cent growth rate, spiralled to 16-18 per cent within two years of the switch. MNCs retain an edge in this line of business as they are dominant players in common drugs (which can qualify for OTC status) segment. Once new drugs are put on OTC, the cash registers start ringing.

Kashyap argues that the seven SBUs divided on speciality lines will help Glaxo reinvent itself. The new teams will target:

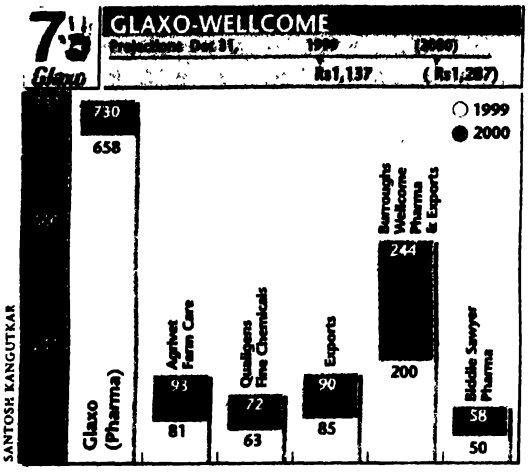
- Gastroentrologists and general practitioners
- Dermatologists
- Respiratory (asthama)
- Paediatrics and neurologists
- Gynaecologists and surgeons
- Intensive care (including institutions and hospitals)
- Cardio-vascular and diabetes (where Glaxo is planning to bring in several products).

Kashyap says, "The majority of our products – close to 65 per cent – are general practitioner-based, so a lot of the field force working on speciality lines will double up to attack GPs as well. To bolster the existing field force, 500 new personnel are being inducted by the end of the first quarter of the year 2000. The specialist contribution five years down the line is going to be substantially more, so we are sowing the seeds for that."

The process is already underway with 200 new field force having been inducted. The old system, whereby a 1,400-strong field force was divided between Glaxo Pharma, Glaxo Allenbury and Burroughs Wellcome hawking 25 to 30 products each, will thus be discontinued in the new year. The fact remains that Glaxo, logging in 10-12 per cent year-on-year growth, has been underperforming the pharma market growth statistics of 15 per cent over the last few years.

Khusrokhan is adamant that Glaxo's charge is being scripted systematically, "We are looking at a 20 per cent year-on-year growth and our explicit aim is to garner 10 per cent market share over the next five years." Kashyap adds that several new products will be unveiled shortly, including Seretide for asthama and Combivir as an HIV combatant. The intensive care group will concentrate on two new therapy areas – Hepatitis B and HIV.

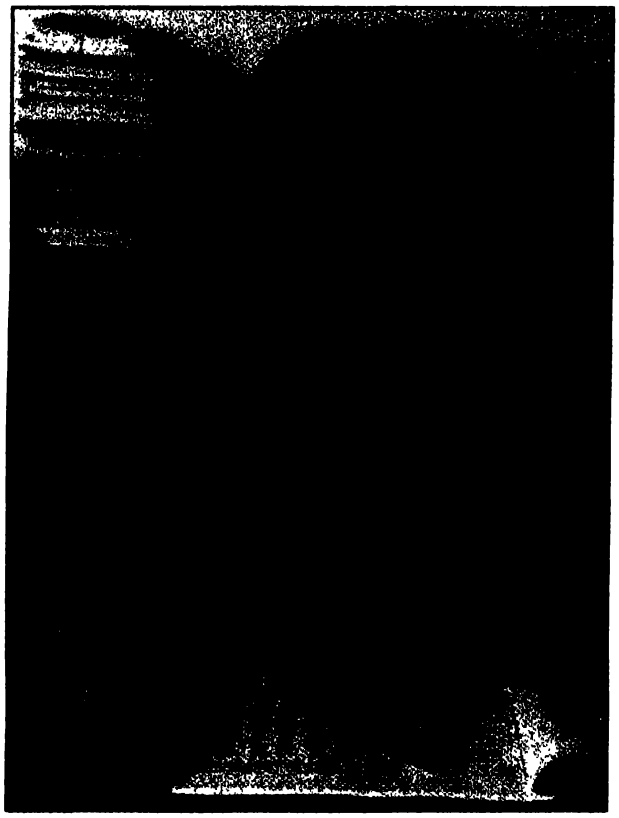
"Companies which are introducing new products are growing



faster. From our parent's molecular pipeline, we would like to bring asthama and anti-virals, as also license some products. This remains a thrust area," Khusrokhan says. Glaxo's strength remains a broadbased product portfolio, but with this manoeuvre increased nodal penetration will drive future sales. Analysts maintain that Glaxo-Wellcome has successfully launched new products at Indian prices.

After achieving synergy with Wellcome post-integration with Glaxo, the merged entity has a war chest of almost Rs100 crore (Rs75 crore in Wellcome alone) for acquisitions. As finance director Mehernosh Kapadia says, "We are looking for good brands in therapeutic segments which have a geographical reach. If we leverage our marketing muscle through cross-licensing and co-marketing efforts, then it makes Glaxo-Wellcome a potent combine."

What this restructuring means is that with a 2,000-strong field force (including the new inductees), it would be akin to Glaxo-Wellcome acquiring a 'mythical' mid-sized pharma company. All the SBU heads will in turn report to Kashyap. According to him, the existing arrangement diluted the the ability to focus sharply. "There were too many products to manage and, consequently, aggression was diffused. The sharper focus will help in the consolidation process. Concurrently, we will ramp up marketing spend from 3.5 per cent of total turnover to 5 per cent of the turnover," Kashyap says.



Kapadia reckons that the net profit will not show any growth

How will Glaxo fund the induction of the new field force? The company's strategy-mapping appears sound and prudent. The sale of seven tail range brands whose product life-cycle has become ossified (derma-based Zovate and Anovate, vitamin Macraberin, Otina eyedrops, Efcorlin drops and injectibles, multivitamin Vibelan Forte and skin ointment Derobin) will fund the huge investment in field force addition and promotional expenditure. Glaxo, which has given Citibank N.A. the mandate to sell these brands, expects to realise close to Rs35 crore from the sale. The products are worth an estimated Rs28 crore

Significantly, this is the first time that Glaxo is selling any of its brands. In this sea of positives, Glaxo's net profit taking a hit remains a cause for concern. With third-quarter net profit dropping by 25.7 per cent to Rs15.98 crore, Kapadia says, "Sixty per cent of our product portfolio is under DPCO. More importantly, the new import duty of 45 per cent on one of our 'actives' Cefuroxime Acetil (used in life saving drugs like Ceftum and Supacef) has impacted our earnings adversely this year. In November 1998, the customs duty announcement took the wind out of our sails; we have lost close to Rs12 crore this year only due to this."

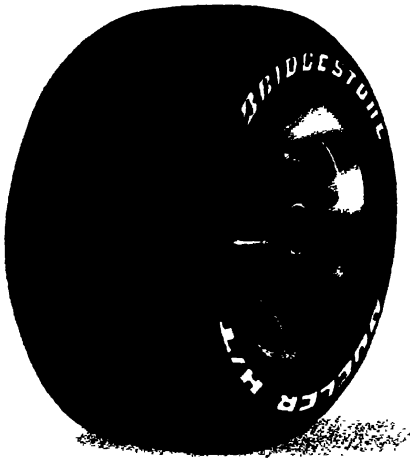
As such, Glaxo will not be showing any net profit growth in absolute terms this year, it is expected to close out once again with a PAT of Rs87 crore or thereabouts, factoring in the sale of its Chennai premises to Concorde Motors for Rs22.1 crore. Last year's PAT of Rs87 crore was bolstered through a similar sale (Delhi property for Rs20 crore Further, this PAT will also include th Rs6-crore-per-annum lease rentals (nine-year lease has been inked) for i 85,000 sq ft Worli property to HSB which was incorporated in last year net profit as well. Analysts predict tha results of the recast will only be know in 2001, when the new marketing struc ture will start delivering results.

Kapadia says, "Once you fail to ge price neutralisation in costs and you have to constantly push up sales, promotion and sampling expenditure in a cut-throat market, you are bound to suffer. Moreover, our product basket is very old. The inability to raise prices is hampering us. I believe both in terms of volume growth and profitability, 2001 is the year to watch. Next year we will rejuvenate, the initiatives will result in Glaxo clawing back at its lost market share."

Rationalisation of manufacturing is another objective being pursued with single-mindedness of purpose. Quick-fix solutions are out at Glaxo, quantification of results is in. To achieve that, a variety of pragmatic action plans are being initiated. As Nair says, "We have 20 contract manufacturers which is far too large, considering we have several of our own sites (Nashik, Ankleshwar, Thane, Mulund, Worli, Kalyan – Biddle Sawyer totalling in excess of 2,800 workmen) as well. Our wishlist is to minimise this to five. The name of the game is to sweat our assets at Nashik, Mulund and Mumbai and even expand our shifts. With the 'power of one' in force, sites should work at optimum utilisation and the uniform standards and specifications will carry us forward." Glaxo would like to see two primary and four secondary manufacturing sites with contract work going out to only five other facilities by 2003.

Madhav Kurdekar, executive vice-president (commercial and exports) heads another key strategic decision. Called the total cost approach, it reflects in both logistical and

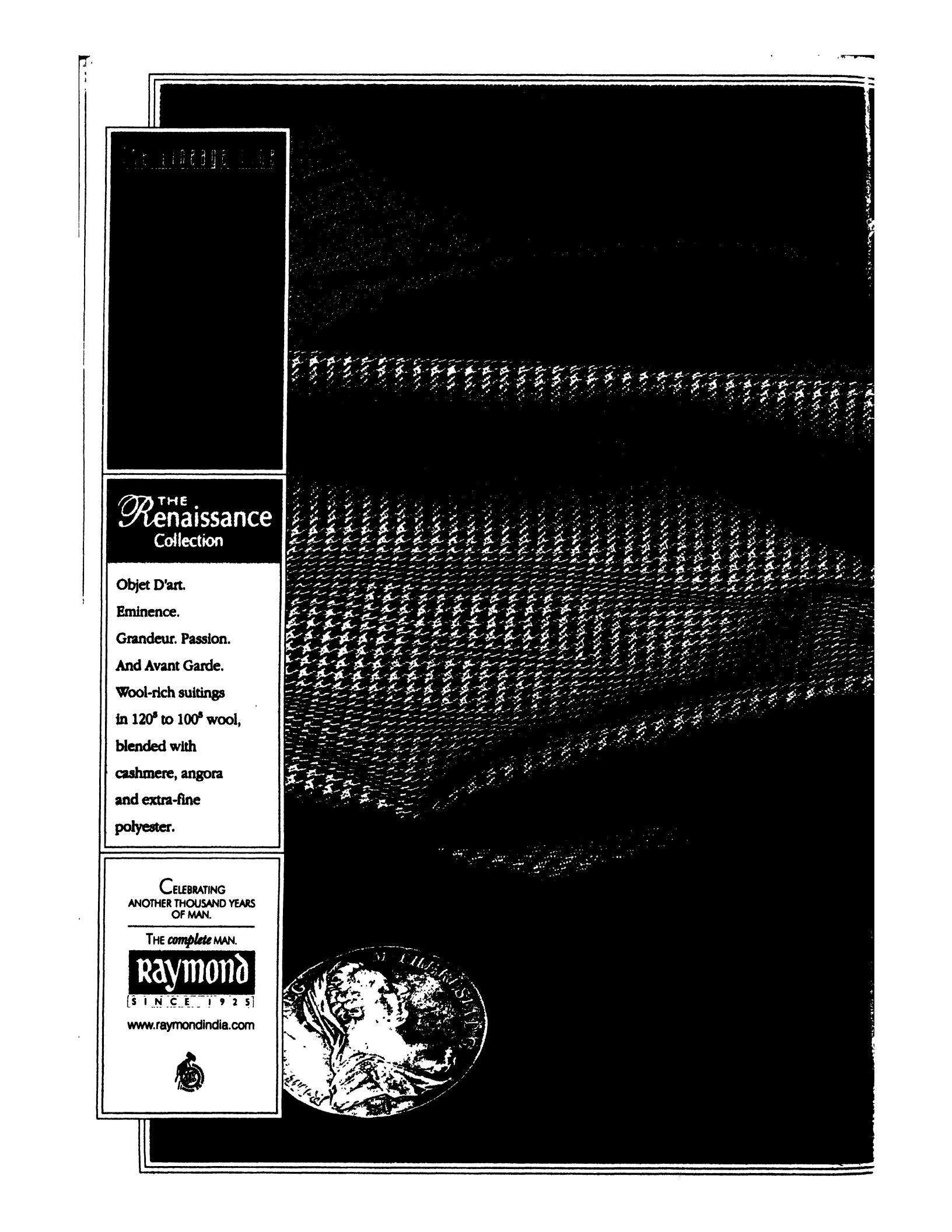
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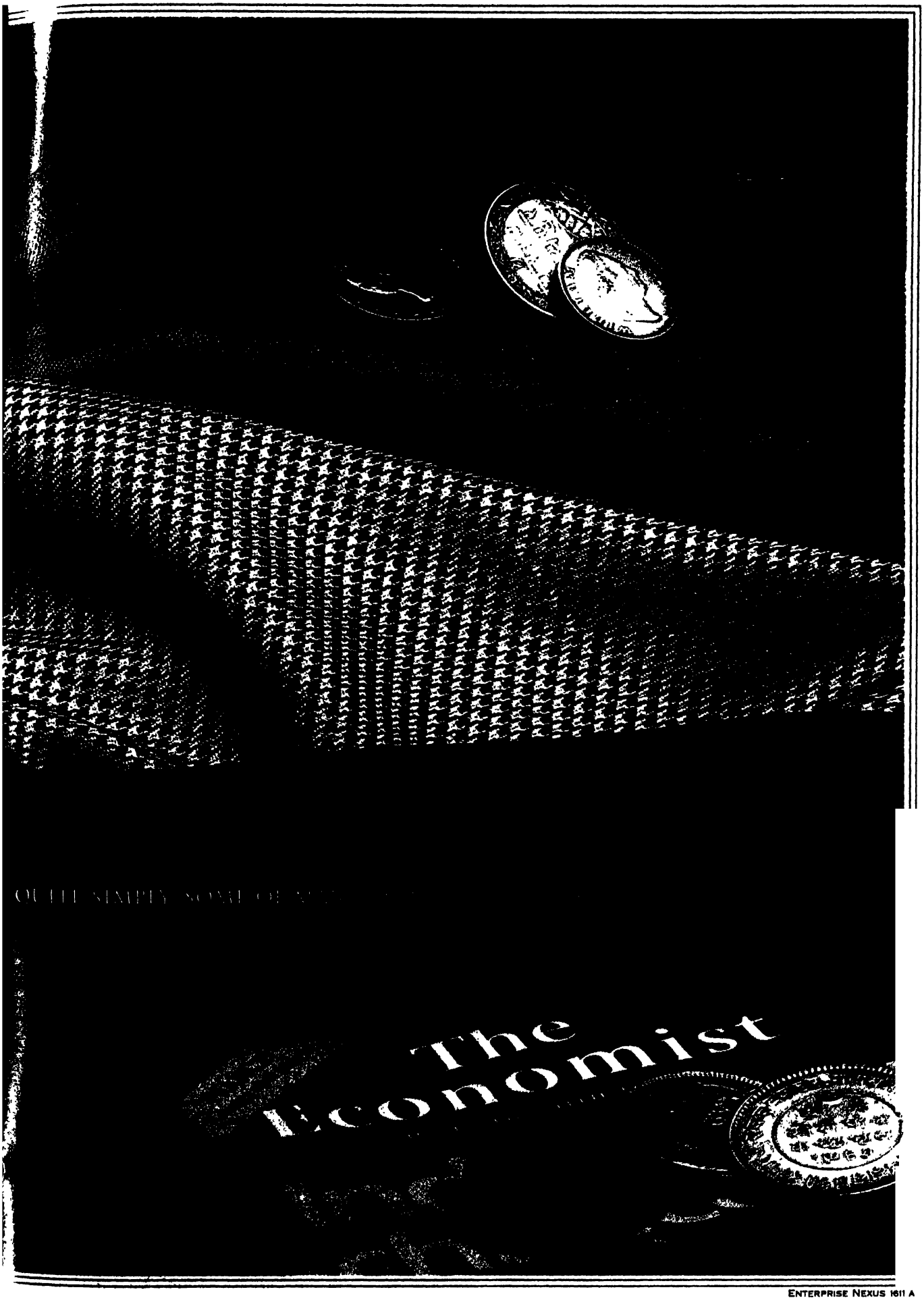


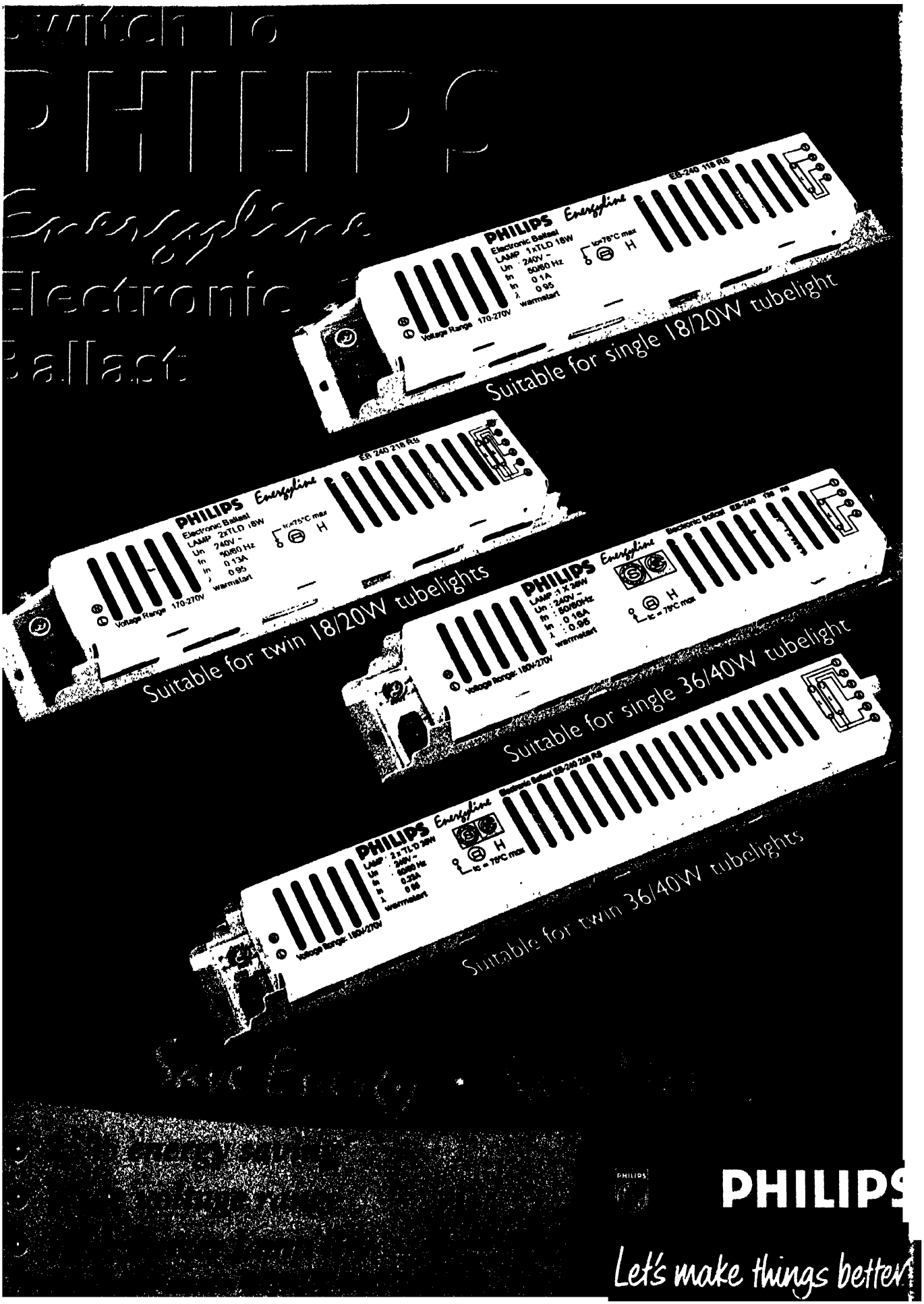


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Let's make things better

'Patents hold great gains for India'

Tomi Khusrokhan is soft-spoken and suave. As the presiding deity of India's top pharmaceutical company, Khusrokhan, who is also the president of OPPI, has a deep comprehension of the industry's travails. He discussed important issues with *Business India*...

Take us through the impact of the patents regime on the Indian pharma business.

All we have done so far in patents is amend the Act to include EMR and mailbox provisions. But this is only the first step. What we need is a comprehensive patent law and patent infrastructure, i.e., a modern patent office, thorough examination skills. Remember that 30,000 applications have piled up and a clear understanding of the enforceability part of the law (quick disposal of cases) is necessary. Which means we have a long way to go *vis-a-vis* effective IPR protection. Only then will MNCs invest sizeable amounts in R&D. Let me reiterate that we are merely starting to walk.

Finally, I see a political will not to default on the WTO deadlines. The law will come into place soon. I see the Patents Bill being cleared by December 31. We have taken far too long on this issue. The impression that we are giving the world is that we have been dragged to the altar, kicking and screaming. I maintain that the benefits outweigh the discomfort it causes to local industry. I think it will galvanise development of our own science and technology, bring greater investment into the R&D sector and even trigger the reversal of our brain drain.

Non-branded pharma products are growing, as generics which are sold under molecular and not brand names are flourishing...

I think there is enough room in the Indian market, there will be research-based companies and generic-based companies. No patent ever applies retrospectively. The current market is entirely generic and will remain so till the first product patent is granted. The flexibility Indian companies have today in patented molecules will dissipate. There is a trend of companies launching generic versions of branded products at high trade discounts. The trend, though small, is to build volumes.

What are Glaxo-Wellcome's imperatives for the new year?

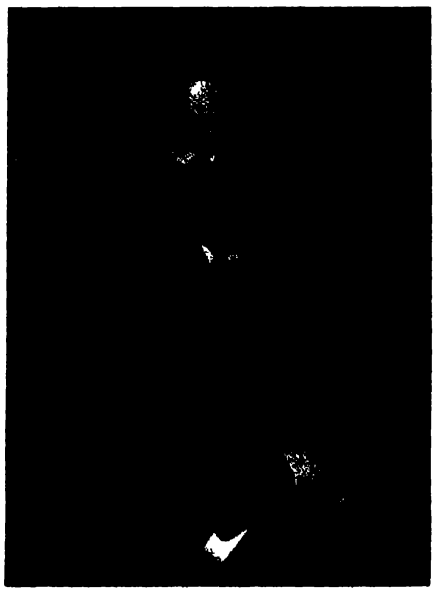
We have to sell ourselves as a successful marketing company. Concurrently, we are reclassifying therapeutically, so brands become redundant. There is not enough time and money to promote brands. Growing our business is top priority. While I am prepared for total acquisitions, the new avenues of growth are co-marketing, alliances and licensing. We are looking for products in therapy areas and a compound in diabetes, we will now go out and shop for it.

I have a three-pronged strategy in place for the new century: retaining leadership position and improving market share, improving shareholder value and focusing on new products and new business opportunities. With 60 per cent of our total portfolio under price control, Glaxo is hamstrung. Unfortunately, price control is not just cost plus, but normative. The recommendations of the Chatterjee Pricing Committee allow for price differential. The new minister has stated that he will take six months to formalise a new drug policy. The government should move away from fixing the price to managing the price and, more importantly, from micro controls to macro controls. • S.B.

shop-floor savings. He says, "For years, there was rapid organic growth, till the probing edge of competition and an old product portfolio caught up with us. The co-ordinated approach between support functions in Glaxo-Wellcome has been a big blessing."

But an integrated financial system introduced in 1994 to bring a thorough supply chain management completely overhauled the apparent inertia in the organisation. This audit assessment of the company took it to the next level of competency. By ushering in a welter of strategic moves to build on that edifice, the Glaxo management has unveiled a spanking new process. For instance, procurement savings to the tune of Rs8-10 crore year after year over the last three years is a significant contribution to the bottomline. However, an unexpected slowdown in exports has come through the fall in the quantity of Sulphamethoxazole.

Kurdekar agrees with what Nair had stated earlier: "Till about last year, 39 per cent of our total requirement was outsourced. Now, we are bringing in the concept of insourcing to jack up our own performance levels. We have already cut down outsourcing sites to 20." The new initiatives also aim at beefing up exports. "Glaxo-Wellcome plc is sourcing Rs20 crore worth of Ranitidine-based actives from India and also looking at other patent expiry products. This is the future and we will not restrict ourselves to raw materials and actives, but are now looking at finished formulations for the US market," Kurdekar adds.



Insourcing will be the mantra, *says Kurdekar*

However, another issue that has remained unresolved despite three years of dialogue is the legal merger between Glaxo and Wellcome, even though they function as one organisation with a common management. Wellcome's Mulund facility continues to be the impediment in the process. The 524 workmen are holding out on what they believe is logical grounds. Apparently, there was no ceiling on DA in the erstwhile Burroughs Wellcome, so they were getting Rs2,500 PM more than their counterparts in the Glaxo Worli and Thane facilities. In order to

The new milch cow

Though Agrivet Farm Care was established over 30 years ago as an extension of ethical pharmaceuticals, it has been pump-primed in the '90s. Says Pradip Nayak, director in charge of Agrivet Farm Care and Qualigens Fine Chemicals, which contribute to 16 per cent of the total group turnover, "It all changed when we refocused our thrust from a mix of poultry and cattle to a dedicated emphasis on cattle (60 per cent). We discovered that the cattle population was growing all the time and the Indian pharma industry was beginning to treat cattle as an economic unit." Glaxo began to concentrate its resources on four broad areas – feed supplements, pharmaceuticals, vaccines and fish hormones.



Nayak feels confident about rural India

While India is the second largest producer of milk in the world, it houses the largest cattle population and Glaxo is the largest veterinary company in India with an 11.7 per cent market share. Agrivet's commitment to this business was enhanced through the April 1999 acquisition of the ICI India veterinary portfolio for Rs16 crore. This included six brands, including dewormers for sheep and pet products like Nilverm.

Moreover, Glaxo has entered into a marketing tie-up with Merial, one of the largest veterinary companies in Europe, for poultry and cattle vaccines through a cold chain which will be in place early next year. Nayak believes that with ICI range added to the portfolio, Agrivet should grow by 18 per cent year-on-year. Nayak says, "Buffaloes are the milk machine of India and the focus is now on improving the productivity of cow milk. We are very open to acquisition of brands and if the deal is synergistic with our business, I am sure the board will support it."

On the other hand, Qualigens is one of the most lucrative businesses for Glaxo. Nayak adds, "We are positioning Qualigens as a one-stop shop for all the requirements needed to operate laboratories. This includes disposable labware, filter papers, immuno-diagnostic kits, disinfectants and instrumentation and a total of 600 products." A tie-up with UK diagnostic and microbiology company Oxoid has meant an addition of 50 new products. Nayak maintains, "Some years ago, we put on our thinking caps as we saw these areas of major opportunity."

rope them into the Glaxo mainstream, the Glaxo think tank decided to pay them a lump-sum payment of the wage loss at an average of Rs3,000 multiplied by a 72-month period. But the workers' union has rejected this offer.

Pradip Nayak, director says, "What we were offering was a perfectly legitimate compensation package, but there is no central leadership in the Burroughs Wellcome workmen. Unless a leadership emerges which can sign a binding agreement, the deadlock remains." In fact, the management is already exploring the possibility of turning the Wellcome Mulund site into a *de facto* third-party manufacturing unit. But Nayak says, "This will be an expensive affair and will require a major policy decision. This is very much like the tail wagging the dog, for 500-odd workmen cannot determine the future of Glaxo's workmen." Incidentally, the VRS and employee separation schemes over a three-year period between 1994 and 1997 at Glaxo-Wellcome cost Rs55 crore.

Since January 1997, the proposed common terms have been hanging fire. Nayak says, "With retrospective effect since July 1999, 1,300 workmen at Worli and Thane will see their wages revised and this will make the settlement formula for Wellcome redundant, so a new humbler formula will have to be constructed." The Mulund factory workmen, who produce Septran, Calpol, Actifed and Banocide tablets and Neosporin powder and ear drops, thus remain at the centre of the dispute.

Interestingly enough, when Biddle Sawyer was acquired by Glaxo in 1997, it was promptly turned into a 100 per cent subsidiary due to these teething troubles. It allowed Glaxo entry into several new areas and helped it maximise the advantage of two existing agreements with Israeli company Teva for the osteoporosis market and through the Japanese company Takeda, it has added ophthalmology and anti-inflammatory products.

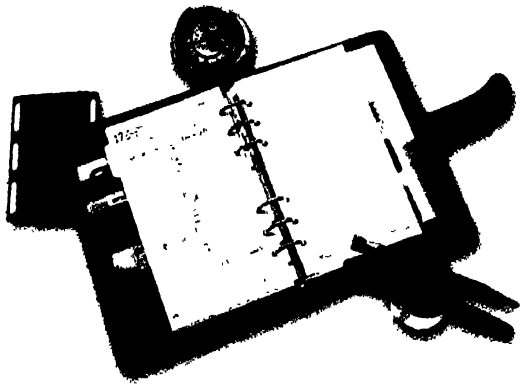
Chairman Deepak Parekh says, "India is the only country in the world where Burroughs Wellcome and Glaxo have not been legally merged. If we don't address the archaic and complex procedures, systems and labour issues, then these kind of amalgamations will remain pies in the sky. This has to be sorted out with great immediacy otherwise how do you create a giant and follow the global trend?" According to Parekh, the existing DPCO has to be revamped. "R&D of international standards cannot be put up in this country unless there is adequate protection," he says.

Parekh's comments are pertinent considering that the pharma grapevine is once again abuzz with news that the failed $70-billion merger talks between Glaxo-Wellcome and Smith Kline Beecham will be actioned again once SKB head honcho Jan Leschly retires. If that happens, then Glaxo supremo Sir Richard Sykes and his new counterpart at SKB will once again come to the negotiating table to provide the breakthrough benefit in genetics. But Parekh maintains that in the Indian context, we need a new set of laws which will ensure that the enabling process comes to quick fruition. But if that happens then the world's and India's biggest pharma company will take centre stage.

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A natural sale

This 100 per cent subsidiary of VST finally finds a buyer



Mitra with farmer Jayachandra Reddy, who has achieved record gherkin yields

The ailing Hyderabad-based tobacco company, VST, has been trying to shed its foods business for the past two years. On a turnover of Rs703.34 crore for the year ended March 1999, VST made a loss of Rs88 crore, Rs53 crore attributed to its natural products company. The market was rife with rumours that Bicks of Canada or Dean Speciality Products of the US, customers of VST Natural Products (VNP), might buy the company out. Last week VST managing director Raymond Noronha announced that, as a part of his company's restructuring programme to focus on tobacco, it would hive off VNP to Global Green, a Thapar company.

Global Green Company Ltd (GGCL), headquartered in Bangalore, is a 100 per cent subsidiary of Ballarpur Industries and AP Rayons. Its three core businesses are processed vegetables including gherkins, a domestic range of speciality foods (Tify), and processed mushrooms. Chief operating officer Debashish Mitra says, "We are extremely bullish about this business and are looking aggressively for growth. VNP is a good strategic fit."

VNP was set up by VST in 1995 with an investment of Rs40 crore. Its three main lines are acidified vegetables, mainly gherkins, dehydrated spices and vegetables, and solvent extraction. The state-of-the-art plant, built to USFDA standards, was set up at Medak district with technical expertise from High Value Horticulture Company of the UK. It had a processing capacity of 6,000 tonnes of material per annum. VST's rationale for getting into natural foods was that its expertise in working with tobacco could easily be extended to other crops.

Anil Kumar V. Epur, director of VNP, says: "We were faced with two major stumbling blocks." One was availability of raw material. Transferring technology to the farmer took time. Since there were no adequate laws to ensure that the contract between the farmer and company was kept, in over 50 per cent of the cases farmers took the seeds and technology from VST but handed the produce to middlemen. Says Epur, "Marketing was not a problem. Pickled gherkins went to Bicks in Canada and Heinz in Korea, and we were authorised suppliers to McDonald's. Spices went to Spicetech, USA. We h l launched Snackle, the added-val e stacker pickled gherkins for the exp t and domestic markets. But delive schedules were affected because t non-availability of material from t farmer."

The second reason was that wor ing capital requirements were high than anticipated. A loss-making VS was not willing to pitch in to build up the inventory in season, which meant purchasing at higher costs, making the business unviable. As a result, though turnover is on the rise, from Rs13 crore to an expected Rs24 crore this year, accumulated losses as of March 1999 were a whopping Rs53 crore. Hence VNP was put on the chopping block and Rabobank of the Netherlands was commissioned to find a buyer.

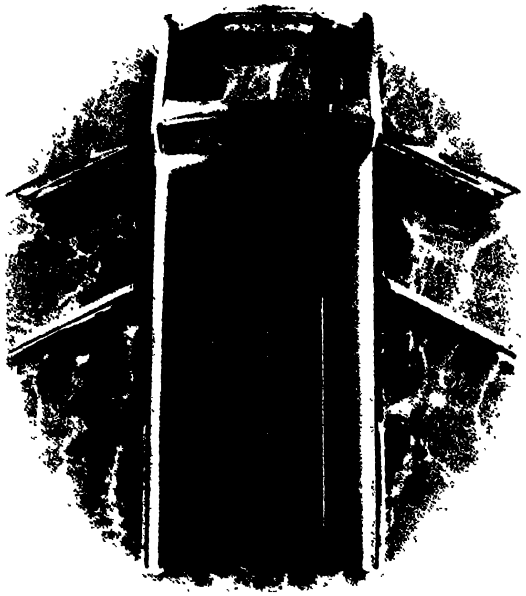
"This acquisition helps us to double our existing processing capacity," says Mitra. "It strengthens our customer base, which presently ranges from Kühne of Germany to Tesco of UK. It also allows us to enter new product segments like spices and dehydrated vegetables." GGCL is also looking at other acquisitions for growth. It has a management contract with Tata Tea to run Sapthagiri Agro, Chennai, and is negotiating a takeover.

According to Mitra, revenue will be Rs37 crore for 1999–2000, up from Rs25 crore last year, of which Rs23 crore came from exports. Mitra expects the company to grow to Rs150 crore in the next three years, of which 30 per cent will come from the domestic market. Having successfully built relationships with small and marginal farmers in Karnataka and Chennai, he does not foresee any problems in building ties with the Andhra farmers.

What makes Mitra bullish about this sector is its sheer size — the world food market is worth $4 trillion. An AC Nielsen survey shows that, with WTO reducing subsidies, developed countries will be forced to import their food requirements. India, with the largest arable land mass and 19 climatic zones allowing for year-round cultivation, can become a major player. Mitra points out that, within the Thapar group, this is the only company poised for high double-digit growth.

◆ MEERA SHENOY

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Beyond Rossell

Y.K. Modi has put Rossell Industries on the auction block. Just what is he up to?

Even before the ripples caused by the sale of a tea garden by Rossell Industries Ltd (RIL), the flagship tea company of YKM Holdings controlled by Yogendra Kumar Modi, could die down, the markets were abuzz with a new rumour. The group, it was said, was planning to sell off the entire company. Confirmation came from the Unilever group, which told the National Stock Exchange that it was in active negotiations for the purchase of the tea major. Details are not forthcoming, but the stock price has more than doubled from Rs34 in early November.

For Modi the sale of Koilamari, one of the eight gardens in the Rossell fold, will bring in an estimated Rs15 crore, needed to repay some institutional loans. The proceeds from the sale of Rossell will also come in handy to finance diversification plans. The Rs100-crore group is planning a large investment of about Rs400 crore in a relatively new area of coal-bed methane gas production. When it comes up, this will be the third arm of the group (or second, if tea has been disposed of by then). The other unit, Modi Korea Telecom, is in radio paging and is reportedly about to break even after five years of operation. "We do not rule out forays into other sunrise industries," says 51-year-old Modi.

While the principal action is in tea (*see box*), the tempo is much slower in Modi Korea Telecom Ltd (MKTL). In 1994, when the radio paging company was formalised as a joint venture between YKM Holdings and three Korean companies — Korea Telecom, Seoul Mobile Telecom, and Samsung, Rossell invested Rs6.5 crore in 52 per cent of the equity. Its present holding in MKTL's Rs12.4-crore equity is up to 57 per cent following the withdrawal of one Korean partner after the 1997 crisis in Southeast Asia. Many industry observers wonder how YKM is going to handle the liability that MKTL has become. If Unilever does get to buy Rossell, it is unlikely to want the paging business.



Modi and son see great opportunity in commercially exploiting coal bed methane

In the year to 31 March 1998 MKTL made a loss of Rs13.47 crore on a turnover of Rs17.58 crore. With the previous year's loss of Rs14.45 crore carried over, the total loss worked out to Rs27.92 crore. While YKM doesn't deny the problems that MKTL is now facing, he says what has happened to the company is no exception and that other paging companies in India also face similar problems. He claims t at the operating losses have been arres d this year and hopes to break even so

Industry observers point out t at the company, like most others in e field, needs to invest more to add va e to its services. MKTL now operates n nine cities, including Chennai a d Calcutta, in which two cities compa y sources claim it has a market share o over 33 per cent. But the entry o mobile phones has made radio paging obsolete.

MKTL's immediate need for funds to upgrade software and improve service is estimated at least Rs20 crore. YKM is absolutely clear that this can be done only if he gets new joint venture partners. Ever since his Korean partners have been showing less and less interest, he has been looking for one or maybe two new partners. But without any apparent success.

Paging is really yesterday's story. Modi's latest plan is to enter the hi-tech, very sophisticated area of commercial exploration of coal-bed methane gas (CBM). His plan is to dig 100 wells in the coal belt in Asansol and Raniganj, covering a total area of 200 km^2. The entire project, to be implemented in phases, will cost Rs400 crore.

The CBM project has hung fire since end-1992. After the economic liberalisation of 1991, there were a few enquiries from both within and outside India regarding the use of methane gas extracted from the coal mining areas as an alternate source of energy. Among the Indian companies, the premier ones were Coal India and ONGC and private companies like Reliance and the Y.K. Modi group.

A few American companies have also come forward with investment plans. The Mckenzie Group and Amoco of the US, both with experience in the field, made an initial study While Amoco eventually pulled out, Mckenzie tied up with the YKM group. A 50:50 joint venture company – Modi Mckenzie – was floated. But the two sides soon developed differences and the tie-up did not last.

"This left us alone in the business," recalls YKM. Then, a few months ago,

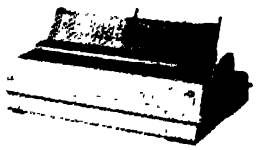
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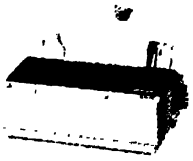




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Originally known as Jokai (Assam) Tea Company Ltd, Rossell traces its roots back to 1872, when as a British company it was registered in London. Following the enaction of the Foreign Exchange Regulation Act of 1973 it changed its holding pattern and name. In 1975 Jokai Tea Company was rechristened Jokai India. Control then passed to colourful NRI Rajendra Sethia. But he ran up huge liabilities with Punjab National Bank (PNB) and couldn't pay up. PNB thus became the custodian and tried to run Jokai with the help of a group of professionals but with little success. In the early 1990s the Modis and H.L. Gupta jointly purchased the company from PNB.

Eventually, however, the Modis fell out with Gupta and they parted company. Y.K. Modi retained the Jokai brand name and Rossell Industries with eight of the 11 gardens, while Gupta took the other three and set up the similar-sounding Rossell Tea. The latter is still in operation, selling its produce mainly in bulk form.

Jokai has always been regarded as a prized property and several industry heavyweights, including the B.K. Birla group's Jayashree Tea and G.P. Goenka's Duncan Industries, were among the contenders. All Rossell's gardens are located on the south bank of the Brahmaputra in Assam. Tea industry sources point out that its teas get good prices at the auctions, where 70 per cent of its production is normally goes. In addition to its own produce Rossell regularly buys quite a lot of tea leaves from the market – 10 lakh kg on an average – which it processes into finished tea at its factories at various gardens and sells as Rossell products.

Deepak Atal, a big name in tea circles and a long-time director at Duncans, joined Rossell in 1997. Speaking of his two-pronged policy for the company, the 50-year-old tea executive says: "My thrust in Rossell has been to produce more, making the best use of the fantastic gardens it has." He refuses to commer on the sale of the company; for him, it' business as usual.

According to Atal, Rossell achieved record production of 87 lakh kg in 1998 His other thrust has been to sell more te in value-added form both in India an overseas. Exports have been going u sharply. Roughly 27 per cent of Rossell' production is sold abroad. In 199 exports fetched Rs11 crore. This went up to Rs17 crore in 1997 and Rs20 crore in 1998. "This year I expect exports to grow at a rate of 30 per cent," says Atal. Rossell's major markets are Iran, Iraq, the UK, Germany, Kazakhstan, and the US. The importers are bulk buyers.

Rossell's first packaging unit has just been commissioned in Calcutta. For this purpose it has taken on lease a factory that was lying closed on Hyde Road. This year the plant will be operational for only a few months but from next year this factory will play an important role in raising Rossell's exports. Atal is hopeful that the packaging plant will add at least Rs15 crore more to the company's bottomline next year. Rossell has also installed two tea bag machines at the same premises.

For the year ended 31 December 1998 Rossell's total sales were Rs75 crore. On this, it earned a net profit of Rs5.8 crore. ◆



Atal has been endeavouring to produce more from Rossell's "fantastic" gardens

YKM Holdings got a new partner called Ogden Energy Services, also an American company. So another joint venture is being set up — Great Eastern Energy Corporation (GEEC). According to 25-year-old Prashant Modi, YKM's only son, who has been monitoring the energy project, the size of the new company's equity will be decided soon.

Yet, the Modis have already drawn up a time schedule for commercial production of CBM from a well that has been dug. They hope to start work before the year ends. But they may not be able to go the whole hog. Informed sources say the petroleum exploration licence they will need for commercial production hasn't yet been issued by the Union petroleum ministry.

Even otherwise, many experts aren't sure of the viability of the project. "CBM has been developed and used only in the US and that too not on a very large scale. Whether the technology is viable for India is not known yet," says one. Many others also doubt if the Modis have the required technical expertise in the matter, more so because no technical tie-up has been lined up yet. Importantly, Prashant's contention that there are many consultants and geologists in the US with expert knowledge in CBM technology who have been guiding his group in the matter and also helping it shop around for exploration equipment has hardly doused such scepticism. It may be noted here that, instead of pursuing CBM as an alternative fuel, the Indian government is presently working on importing LNG and piped gas from some West Asian countries.

But Y.K. Modi is unfazed by such criticism. He likes pointing out tha none of his existing businesses hav anything to do with the Modi family. "All this started on a absolutely clean slate," he says. Today, as he prepares to get rid of Rossell, he is obviously wiping out large parts of that slate and starting all over again. Will he chalk up success this time?

◆ KAVERI MITTRA

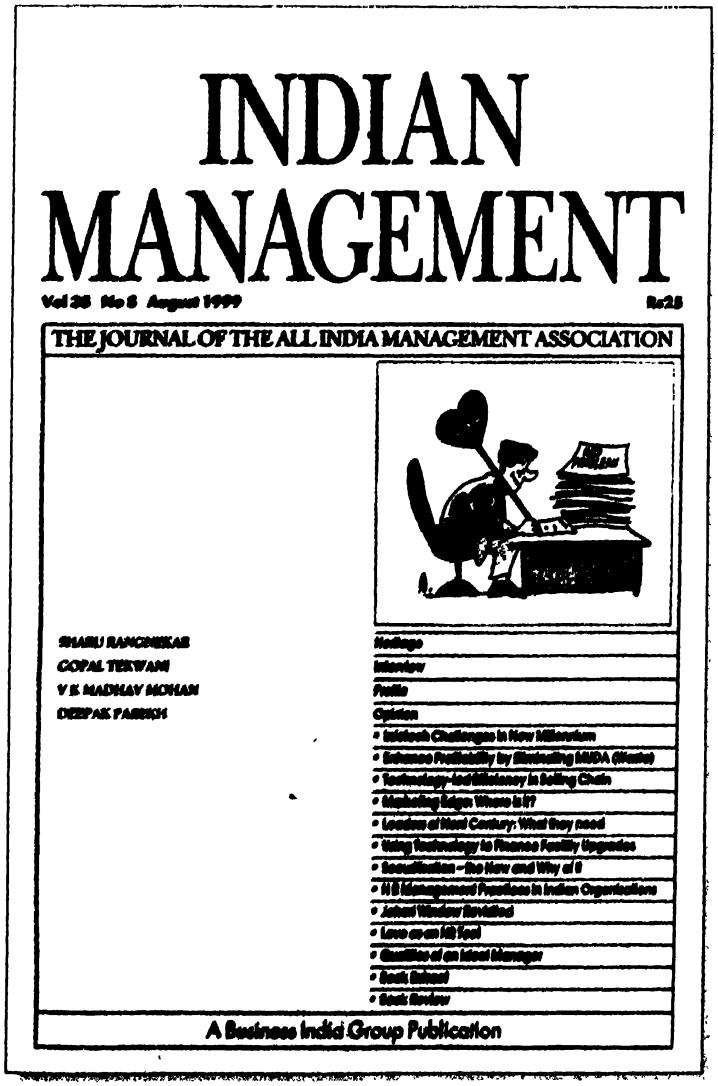
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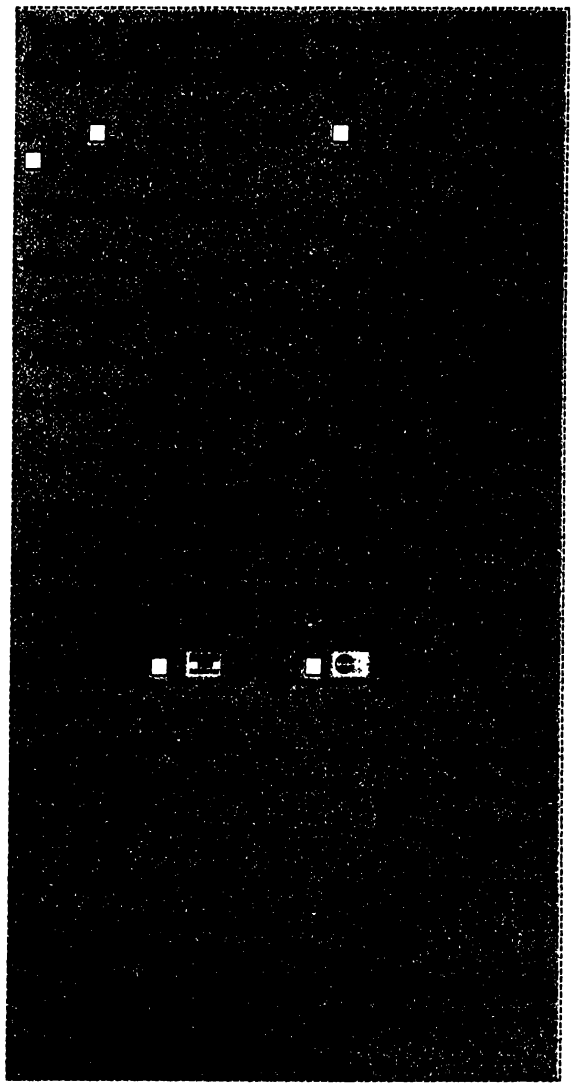
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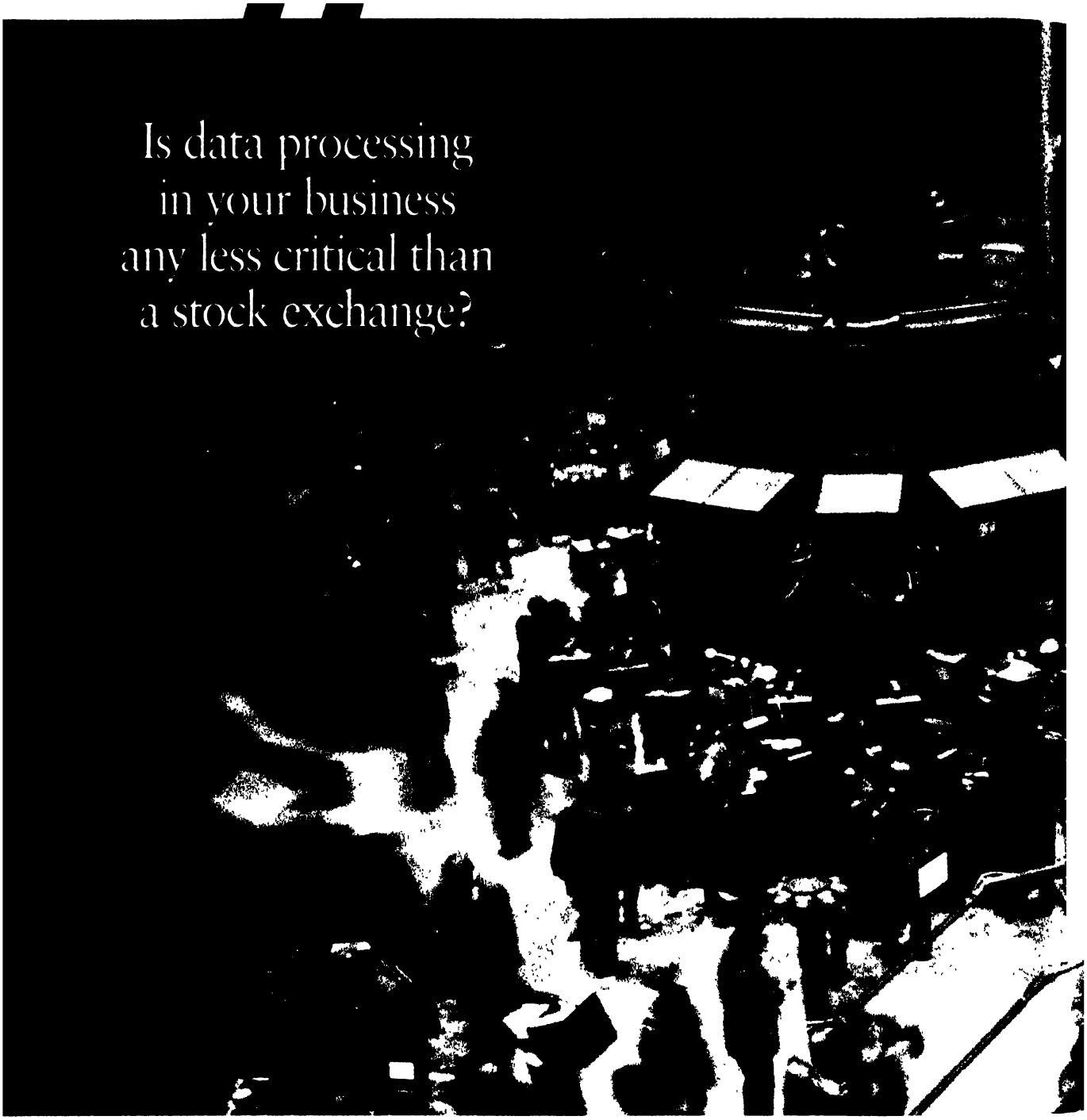
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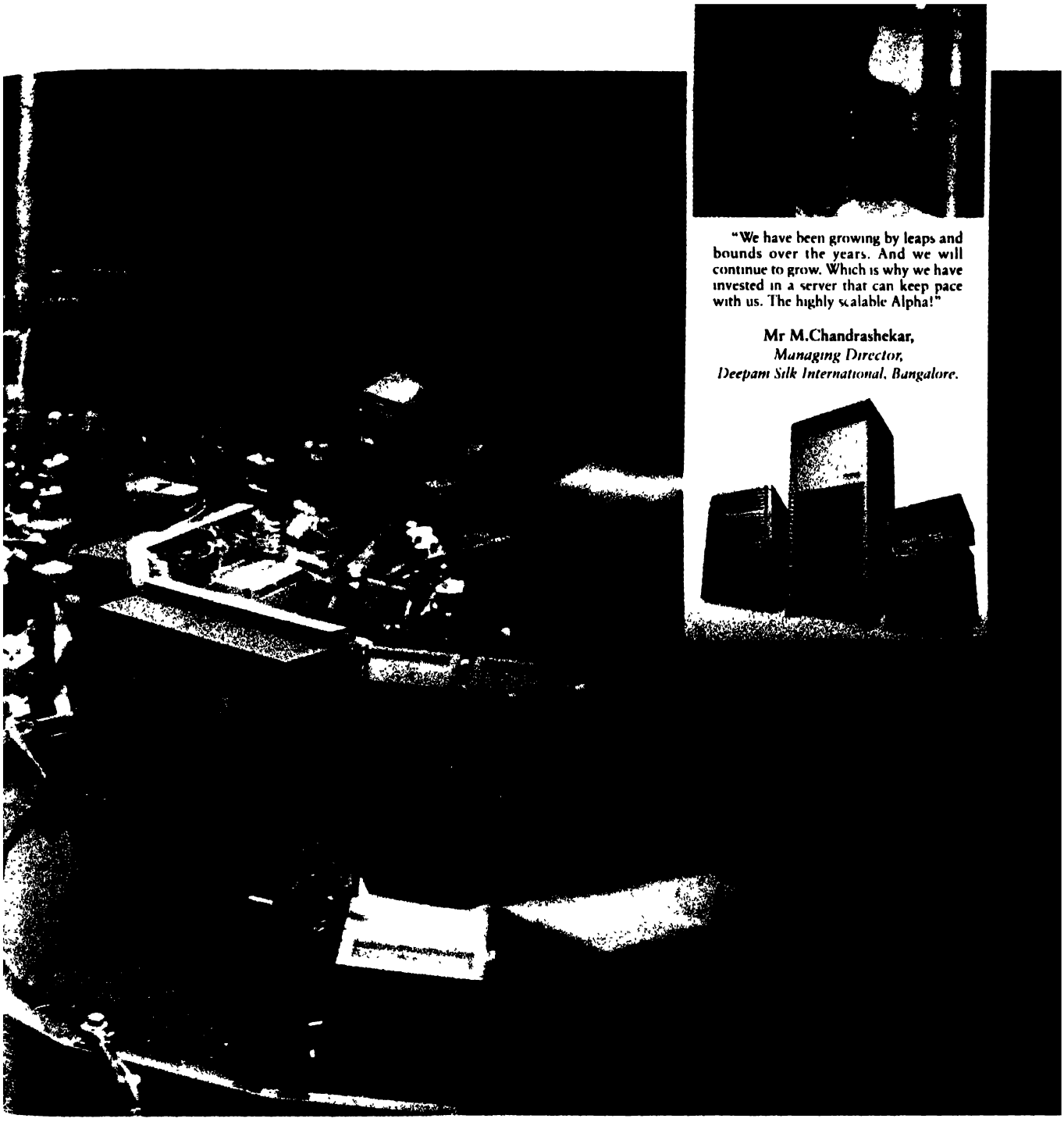


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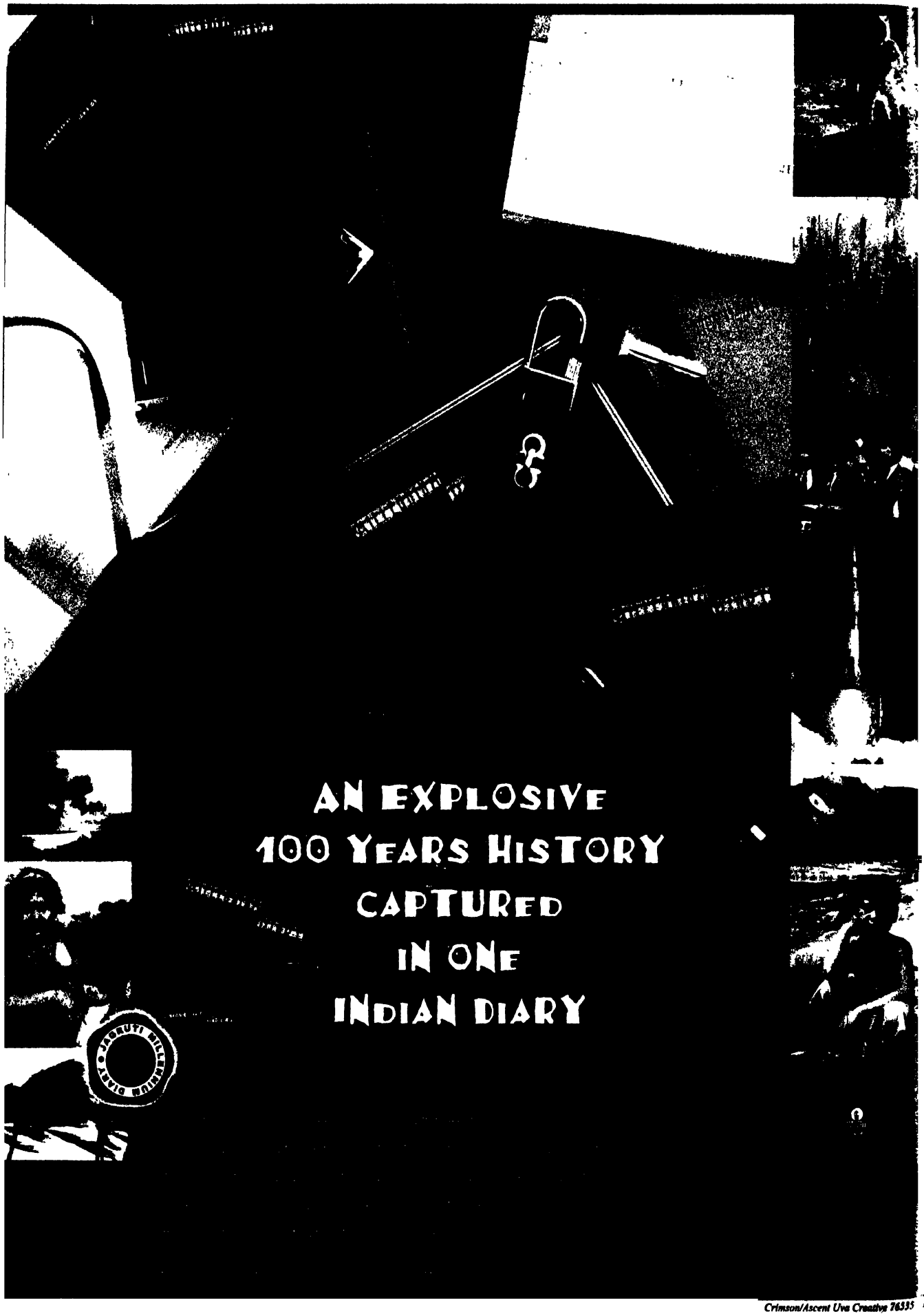
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PHOTOS: UMESH GOSWAMI

The only software professional in the DataQuest Hall of Fame. A man who headed software major TCS when he was just 26. One of the earliest Indians to be awarded a Ph D from the Massachusetts Institute of Technology. Why has Lalit S. Kanodia kept such a low profile for both himself and Datamatics Ltd, the company he set up in 1975 and has built up over the past 24 years into a Rs250-crore giant with five of the top ten *Fortune 500* companies on its client roster, and over 1,500 professionals working in 16 offices in Mumbai's Santacruz Electronics Export Promotion Zone (SEEPZ) and four buildings just outside the SEEPZ complex?

He seems to be having some slight regrets now. "I wish we had a patent for having developed the entire concept of offshore software factories," says Kanodia, who is chairman and managing director of Datamatics. "I could have kept 10 per cent of all revenues!" Till 1989, he explains, more than half of all exports chalked up by the Indian software industry was in people sent abroad, to develop software on the customer's site. It was Datamatics that began pushing the idea of doing this development in India. So it set up a facility for Wang Laboratories, and a large number of Wang's products were developed here — "probably including the word processors you use!" he says. And in 1989, the company set up the first satellite link from India, to develop software for Bell. "A satellite link really liberates you: today there are more than 1,000 of them," he points out. The idea caught on, the revolution began; and today, the number of foreign companies with such 'factories' in India is legion.

Another achievement of which Kanodia is specially proud is the fact that in July 1999 Datamatics became the first information technology company in the world to achieve Level 2 in PCMM, the people's capability maturity model created by Pittsburgh's Carnegie Mellon University which had earlier launched the Software Engineering Institute's SEI-CMM to rank processes used in developing software. "Everyone does SEI-CMM and ISO, we too have," he says. "But business is people, they are the guts of the company." So Datamatics decided to assess its selection, training, human resource (HR) and promotions systems on the new model, based on SEI-CMM but mapped on people processes. "We are still the only one in the world with PCMM-Level 2," asserts joint managing director Rahul Kanodia. Now, he says, the Level 3 process is already in place, and the assessment is planned for January 2000.

For the future, Datamatics plans to go on doing more of the same, better. But with ten strategic business units (SBUs) focusing on different core competencies like embedded systems, manufacturing, airlines, insurance and telecommunications, Kanodia is frankly not confident whether the right thing is to do more things, or concentrate on fewer activities and do

them better. "There is no ideal number," he says. "The debate on offsetting the two is raging nationally, and globally." The need to understand each business, however, has prompted the company to hire recognised specialists with domain knowledge in each SBU, like former top India executives of Air-India, the Life Insurance Corporation and Videsh Sanchar Nigam Ltd to head the transportation, insurance and telecom units.

"The designation of MD here stands for main dreamer," smiles Kanodia. "In a lot of things I've done in my whole life, I've been putting ideas to work. I'm proud that we've pioneered a lot of things, maybe too many things! In retrospect, I think that if I could relive my life, I'd do fewer things, more intensely." Rahul, however, insists that the fact that all the SBUs are into software is sufficient commonality. "There is no clear model worldwide, on whether you should put all your eggs in one basket or in different baskets," he points out. "As long as you can manage them reasonably, you are okay."

Rahul sees the company easily doubling its turnover every year, against an average 60 per cent to 80 per cent annual growth so far. "This is a very enterprising and entrepreneurial organisation — that's what continues to spur these kinds of innovative pioneering efforts," he says. The essential thing is to provide services to their customers which will in turn enable them to provide better services to their own end customers. "We have done very well so far. Many companies we work for have significantly improved the servicing of their end customers with our software. And in the past 25 years of our existence, we have saved our customers over $1.6 billion in direct costs."

Clients agree. "Excellent work," says Hans Giesker, president and chief executive officer of one of the world's largest electronic publishing companies, for which Datamatics has set up a dedicated facility with a separate satellite link to the US. Agrees Hiro Satake, president of the $170-billion Itochu group which presented the company with its 'best software partner' award: "Datamatics has made an immense contribution by its tremendous efficiency and helped us improve productivity in 1998 as our systems development partner." And Glenigan Ltd of the UK, for whom the company conducted complete re-engineering and development of the Thomson construction information system, says: "They have ensured that we have a first-class system. With a project of this size and importance to us, the complexity of the issues of project management and control have been of paramount importance... at each step, this has been excellent."



Rahul Kanodia has helped translate the camel-to-computer myth into reality

For Nissay, the world's largest life insurance company, Datamatics executed a path-breaking project with an 'RPORT' which won it the prime minister's award for the most innovative product earlier this year. "It was a very, very large project involving seven million lines of code — 90,000 users went live in January, and not a single bug has been reported till today," says Rahul. "Maybe we were too good for our own good," adds Lalit Kanodia. "After six months, they cancelled the maintenance contract!" The company has also customised the RPORT to migrate 10 million lines of code from the RPG AS/400 platform to a COBOL 85 under Windows 95 f recent Hitachi project.

Another dedicated facility is financial services major NCR, wl automated teller machines (A Datamatics supports worldwide, a Rs2-crore IBM S/390 computer. have also developed multime ready ATMs, where the banks can the time the customer is waiting, identity verification," says Rah "The three or four seconds the proc takes can be sold to advertisers who are assured a captive audience." Over the past 15 years, the company has done a lot of pioneering work for the United Nations, too.

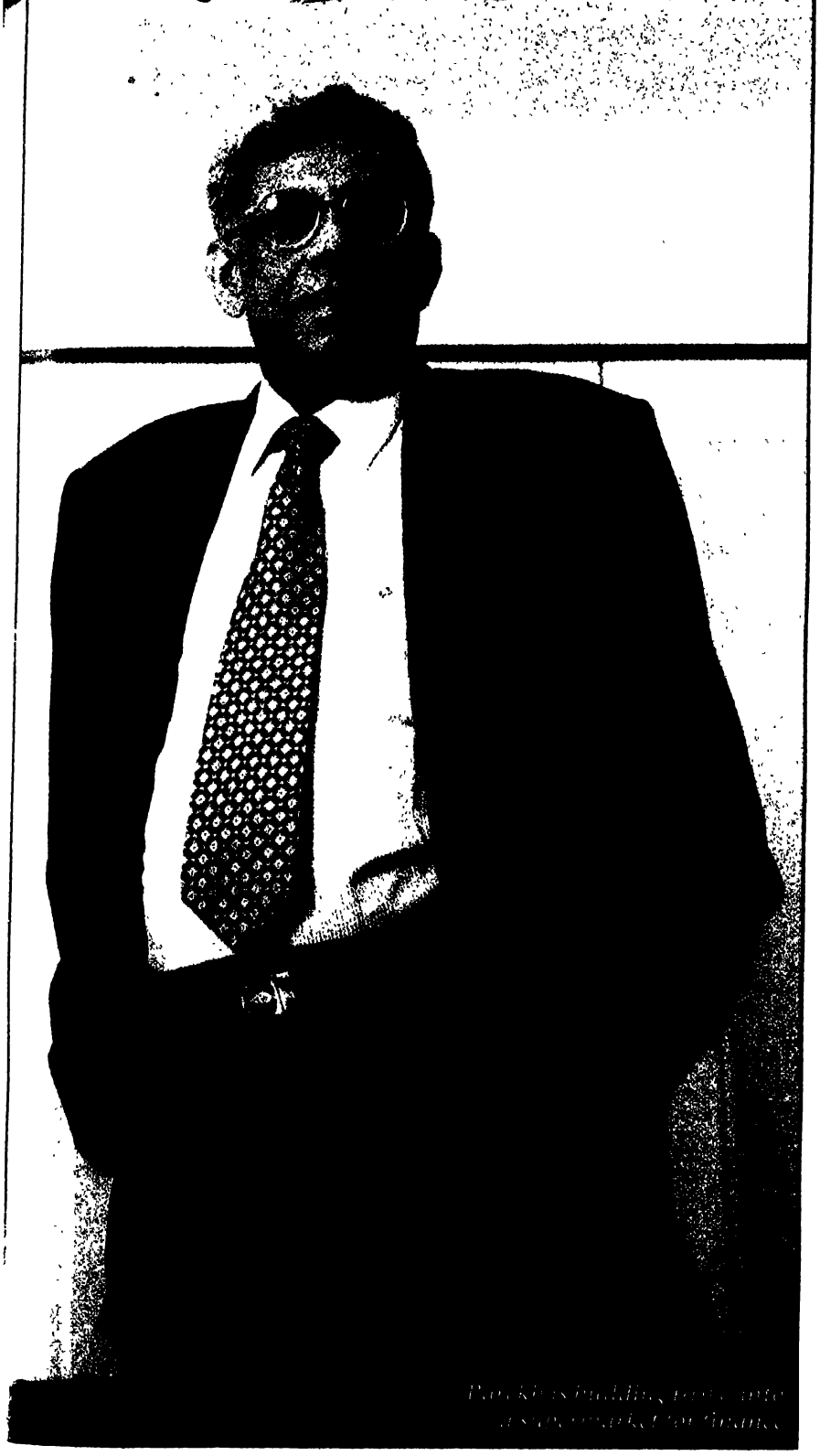
Datamatics has done a lot of Y2K compliance work for various clients and even has a Y2K centre, but Kanodia insists the company's exposure to this business is 'probably one of the lowest'. The accent has shifted to Euro currency services, for which too it has set up a separate competence centre which offers software services to change clients' systems from single to multi-currency compliance. Application minings is another area of strength. With offices in the three export promotion zones of Mumbai, Chennai and New Delhi besides the US, the UK, Germany, Switzerland and Japan, it now plans to spread to Australia and Canada, too.

Besides providing customers with a hassle-free development facility, Datamatics has also concentrated on making the workplace interesting. One of its offices is designed like an Indian village, complete with cabins made up like huts with chimneys, even a 'village well' housing the main computer to which the other computers have to go to draw information. The entrance lobby too has a life-like desert village tableau, with life-like dummies of musicians in traditional garb and camels drawing a cart. Rahul likes to tell a story about this: "We are from Rajasthan, a large part of which i desert. That's sand; and sand is silicon from which the computer chip is made That's the connection between th camel and the computer!"

• SEKHAR SESHA

he colour of aggression

DFC is gearing up for the millennium which may end up with its merger with the HDFC Bank



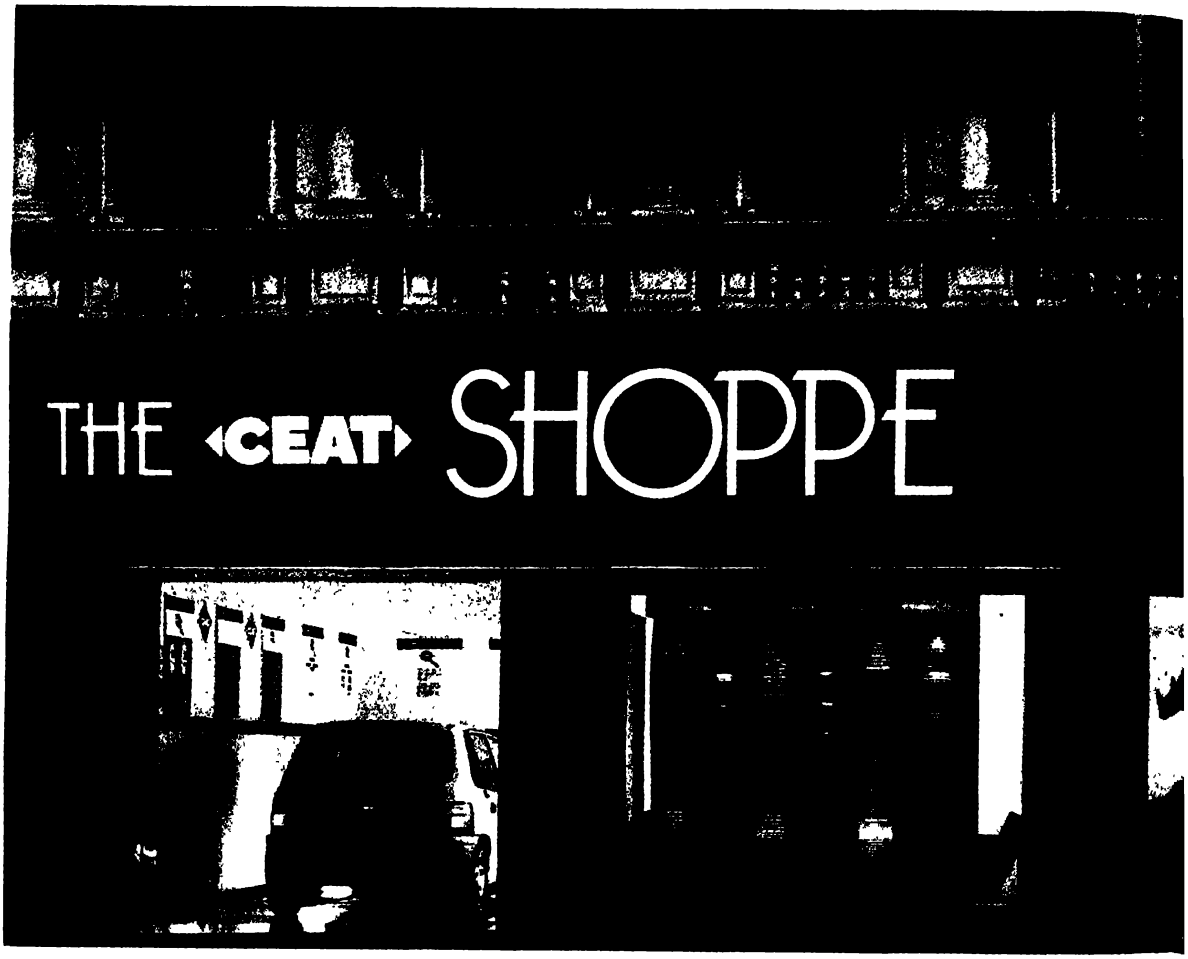
At the turn of the millennium, Housing Development Finance Company (HDFC) chairman Deepak Parekh is firing on all cylinders. Both the housing finance company and HDFC Bank have grown organically and are premium institutions in their respective areas. Venturing into Y2K means a whole new approach needing a new mindset, and Parekh has wasted no time tuning in to the emerging dynamics.

To begin with, HDFC has refurbished its corporate logo by adding a red background, a strong signal that HDFC has adopted an aggressive growth stance, confirmed by the acquisition of TimesBank last November. Says Parekh, "Red is the colour of aggression and you need plenty of that in the finance business. It also signifies danger, and this is a signal for our employees to always be on the alert and ensure there is no slippage in business. And yes, we are in growth mode and if we can speed it up with acquisitions, why not?"

Next Parekh is looking at acquiring a nationalised bank. And that could be none other than India's best-performing bank, Corporation Bank. HDFC is also looking at tapping the US markets with an ADR issue, for which it has been busy with the spadework: over the past two years it has prepared its accounts according to GAAP specifications for internal purposes.

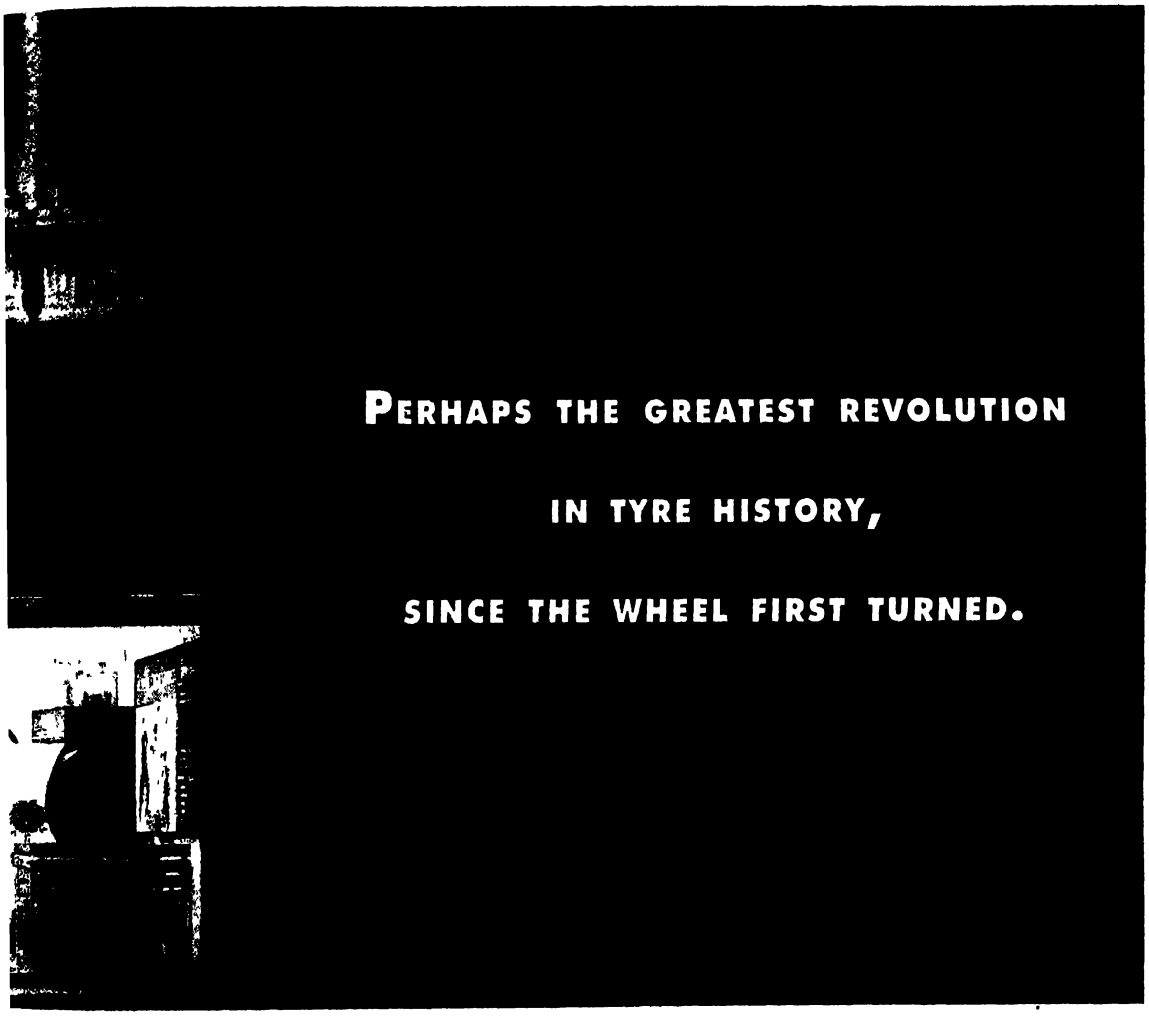
Meanwhile, banking circles are busy speculating why Warburg Pincus, the US mutual fund family of Credit Suisse Asset Management (New York), with which HDFC has no technical or strategic tie-up, should seek FIPB approval to invest up to 10 per cent in the company. "First of all we didn't approach them and secondly, they are keen to invest in the company. However, our interest is that if we have to look at US markets, it serves us to have some blue-blooded US AMC on our board," Parekh explains. But he is quick to add that there will be no equity dilution because of the 10 per cent investment by Warburg Pincus and another 5 per cent by Standard Life, HDFC's insurance partner (which already has a 5 per cent stake). "We are protecting shareholder value by not going in for

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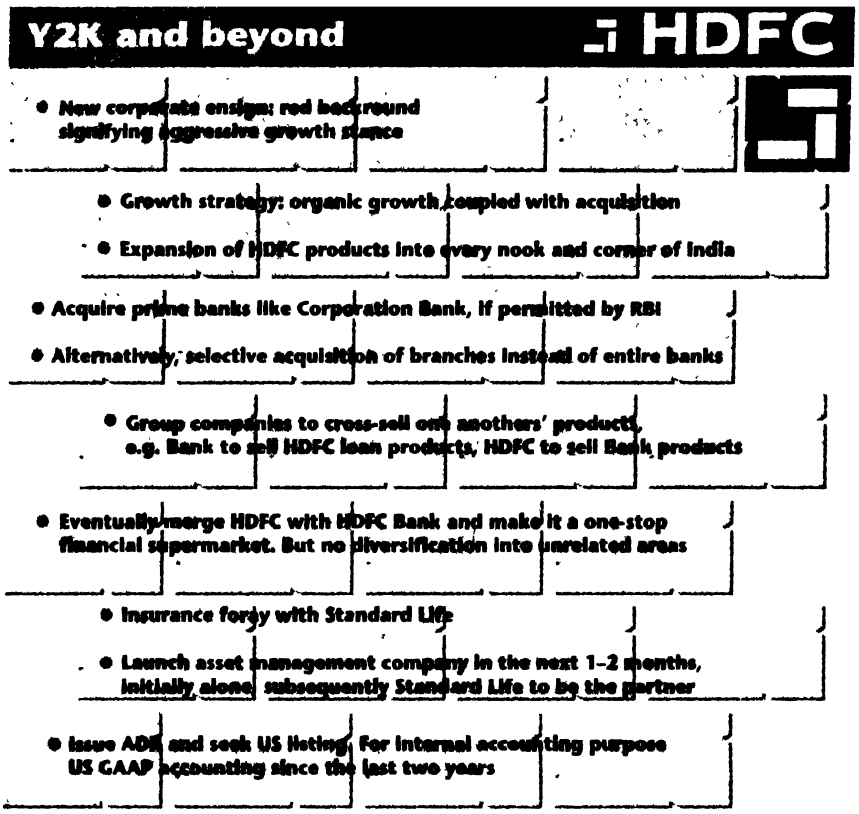


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PRAJAKTA KARNIK

dilution of capital. In the case of HDFC Bank a preferential allotment of 19.8 million shares was made to the promoter, HDFC, and the Chase group in order to protect their respective stakes after the proposed amalgamation of TimesBank," he says. Parekh adds that the additional 3 per cent stake that Standard Life (it already has 2 per cent) is planning to acquire in HDFC Bank will be from the markets and there again will not be any equity dilution in the bank.

The TimesBank takeover was shrouded in secrecy. It's a fact that TimesBank's employees, including its chairman and managing director, were kept in the dark and the actual sale was struck over sandwiches and coffee in Mumbai four days before it was formally announced to the stock exchanges on 25 November. Only six people knew what was going on — Parekh, HDFC Bank MD, Aditya Puri and credit and market risk head Paresh Sukthankar, Indocean Chase Capital Advisors (ICCAPL) MD Bharat Kewalramani and executive director Anil Ahuja, and Amit Judge, director on TimesBank's board, who represented the Jains of Bennett, Coleman. "The information did come as a shock and a disappointment. But that's only a natural reaction. We have to accept the fact that mergers and acquisitions are the new reality. Now I am happy that TimesBank is going into good hands," says TimesBank managing director Nani Javeri.

But the truth is that the Jains' desire to sell the bank was no secret. On 26 January 1998, we reported that the promoters were scouting around for buyers. Then again, on 6 September and 4 October 1999, we reported that they were wooing HDFC and Chase Capital. "Yes, two years ago the patriarch of the clan, the late Ashok Jain, did make me an offer. But it was an on-and-off affair," Parekh says.

It's not that TimesBank was offered only to Parekh; the promoters are known to have made overtures to several others as well. Two years ago HSBC's investment banking division was given a mandate to scout for an international buyer right from America to South Africa. Simultaneously, it asked a Mumbai merchant banker to make a proposition to the Murugappa group and IndusInd Bank promoted by the Hindujas. The Jains even pursued steel tycoon L.N. Mittal and ICICI, which reportedly wasn't willing to pay more than Rs10 per share.

The sale of the bank barely four years into operations raises several questions. First, why were the Jains so desperate to sell? Second, the deal obviously didn't happen overnight. So why did they go in for an IPO in July 1999 and sell the bank barely four months later? What's intriguing is that the offer document did not mention that the promoters were seeking an exit from the ownership of the bank. Third, if ICICI did not find the bank worth more than Rs10 a share, why did HDFC Bank agree to a swap of one share of HDFC Bank for 5.75 shares of TimesBank, which works out to Rs17 a share? Meanwhile, the subsequent rally on the bourses in the first week of December saw HDFC Bank zoom to Rs164 by 7 December. This also drove the price of TimesBank to Rs25 — giving the TimesBank shareholders a hidden profit of Rs8 per share.

The answer to the first one is that Jains had a very bad experience with their NBFC Times Guaranty Financial, which is saddled with huge NPAs. Besides, the performance of TimesBank in the initial three years is nothing to write home about either. The bank was drifting without a strategic business plan. In barely three years it had accumulated Rs46 crore in NPAs in 1998-99, more than six times the previous year's figure. Besides, even after ploughing back the entire profits of Rs27 crore last fiscal and the IPO of Rs35 crore issued last July at par, the bank's capital adequacy ratio stands at 8.9 per cent — RBI stipulates 9 per cent for March 2000. This means the promoters would have to constantly look at injecting capital for CAR requirements alone, as the bank did not generate enough profits to take care of itself.

To answer the third question: on 25 November, the date of the merger announcement to the stock exchanges, HDFC Bank was traded at Rs92, so effectively the Jains got around Rs17 per share — a good 70 per cent more than what ICICI was willing to give. Considering the 1:5.75 'merger' ratio the Jains (with a 74 per cent holding in TimesBank after the

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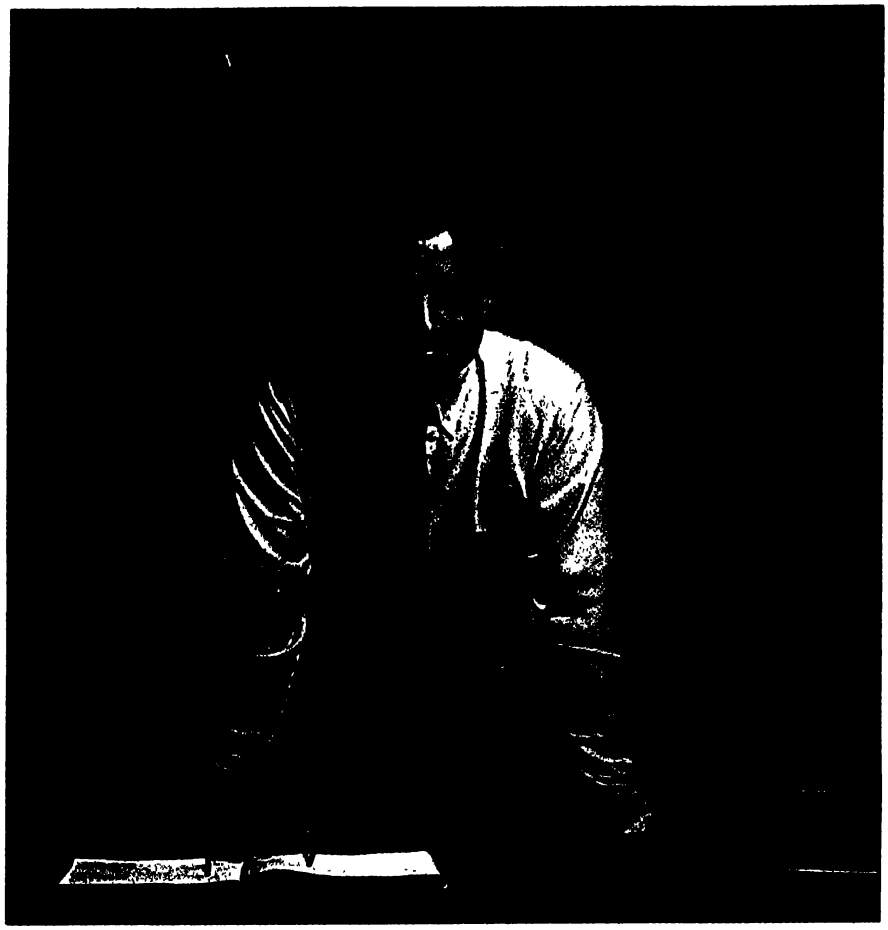
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PALASHRANJAN BHAUMICK

The future is a combination of Internet and branch banking, says Puri

IPO) got 1.739 crore and other shareholders 60.9 lakh HDFC Bank shares worth Rs10. Besides, the Jains also get to nominate one director on the bank's board.

Says Parekh, "In the initial offer the Jains were looking at a valuation of Rs25-30 per share for their bank. Moreover, they were not willing to settle for cash payment as Bennett, Coleman & Co has huge cash resources and I was reluctant to give them a stake in HDFC Bank. But TimesBank's performance improved considerably with the new team at the helm — S.M. Dutta as chairman and Javeri as managing director were brought in last year. So we reexamined their proposal as it suited our growth plan and I settled for a share swap. Two years of growth have now been achieved simply by amalgamating the two banks."

But can the Jains sell before the bank completes five years of operations, in October 2000? RBI had issued new private bank licences with the stipulation that the promoters dilute their stake to 75 per cent by the first year of operations (but most banks got a waiver on this, as the primary markets were in the doldrums) and 40 per cent by the fifth year, which meant that the promoters would have to hold at least 40 per cent till the completion of five years. For the moment the ball is in RBI's court. Shareholders can voice their reservations at the extraordinary general meeting called to approve the deal next month.

Banking analysts say that though the ownership of bank is changing, this deal cannot strictly be viewed as a sale. That's because the Jains are not getting cash but shares in lieu of cash for the transaction and also one seat on the board of HDFC Bank. Besides, HDFC Bank will be acquiring only the business, the employees, and the branches of TimesBank, whose licence will be surrendered. "Perhaps the Reserve Bank might stipulate that they continue to hold the shares of HDFC Bank for a specific time frame — that we'll know only when it approves the amalgamation," explains the analysts. Adds Puri, "There is no written agreement with the Jains that they have to hold their stake in HDFC Bank for a specific time frame. But there is an informal understanding that they will stay invested for a considerably long time and if at all they plan to sell their stake it will be first offered to us."

The new entity will be known as HDFC Bank and the TimesBank name will be dropped and its banking licence surrendered. So was this deal a takeover or a merger? Parekh answers: "In corporate lingo it could be called a takeover of TimesBank by HDFC Bank. The fact is the deal does not come under the purview of the Indian Companies Act but under the Banking Regulation Act and is subject to RBI clearance. Therefore, according to banking terminology, it is an amalgamation or merger and we look at it as such."

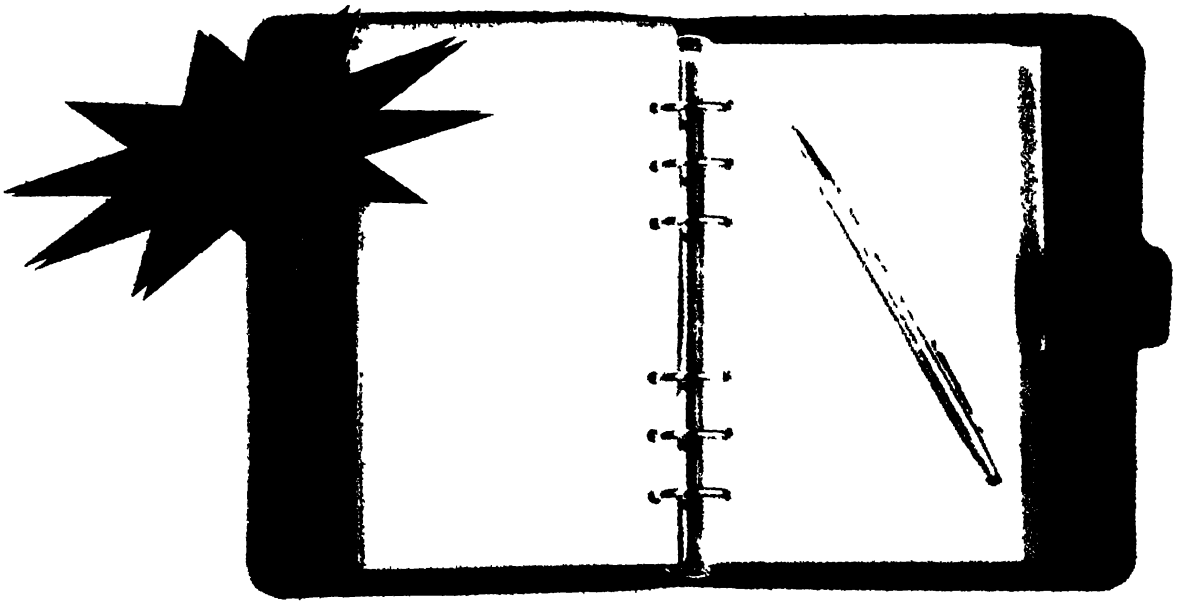
Be that as it may, why did HDFC Bank choose TimesBank? Aditya Puri explains: "The deal is a growth-based acquisition and what we looked at was their portfolio, quality of customers, assets, trained manpower, and also geographical expansion. We zeroed in on TimesBank because there are a number of synergies in our businesses." The only difference is in corporate banking, where TimesBank focused on midsize corporates, while HDFC Bank targeted only the top 200. "This difference will be ironed out and accounts that don't fit into our strategies will have to go," says Sukthankar.

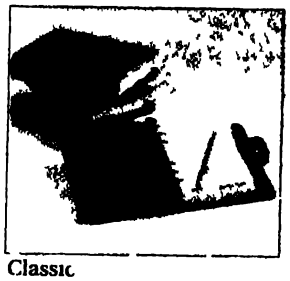
The deal will take HDFC Bank to preeminence in the private banking sector. Add its assets (Rs4,340 crore) and those of TimesBank (Rs3,274 crore) on 31 March 1999 and the balance sheet grows to over Rs7,600 crore. Now compare that to ICICI Bank (Rs6,982 crore), IndusInd Bank (Rs6,167 crore), and Global Trust Bank (Rs5,200 crore). Besides, the number of ATMs increases from 57 to 97 and branches from 69 to 107, to which it plans to add another nine by March 2000.

Even though the new HDFC Bank is still much, much smaller than the State Bank of India (Rs2,22,500 crore) and also the nationalised banks, it

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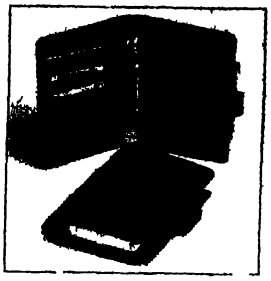




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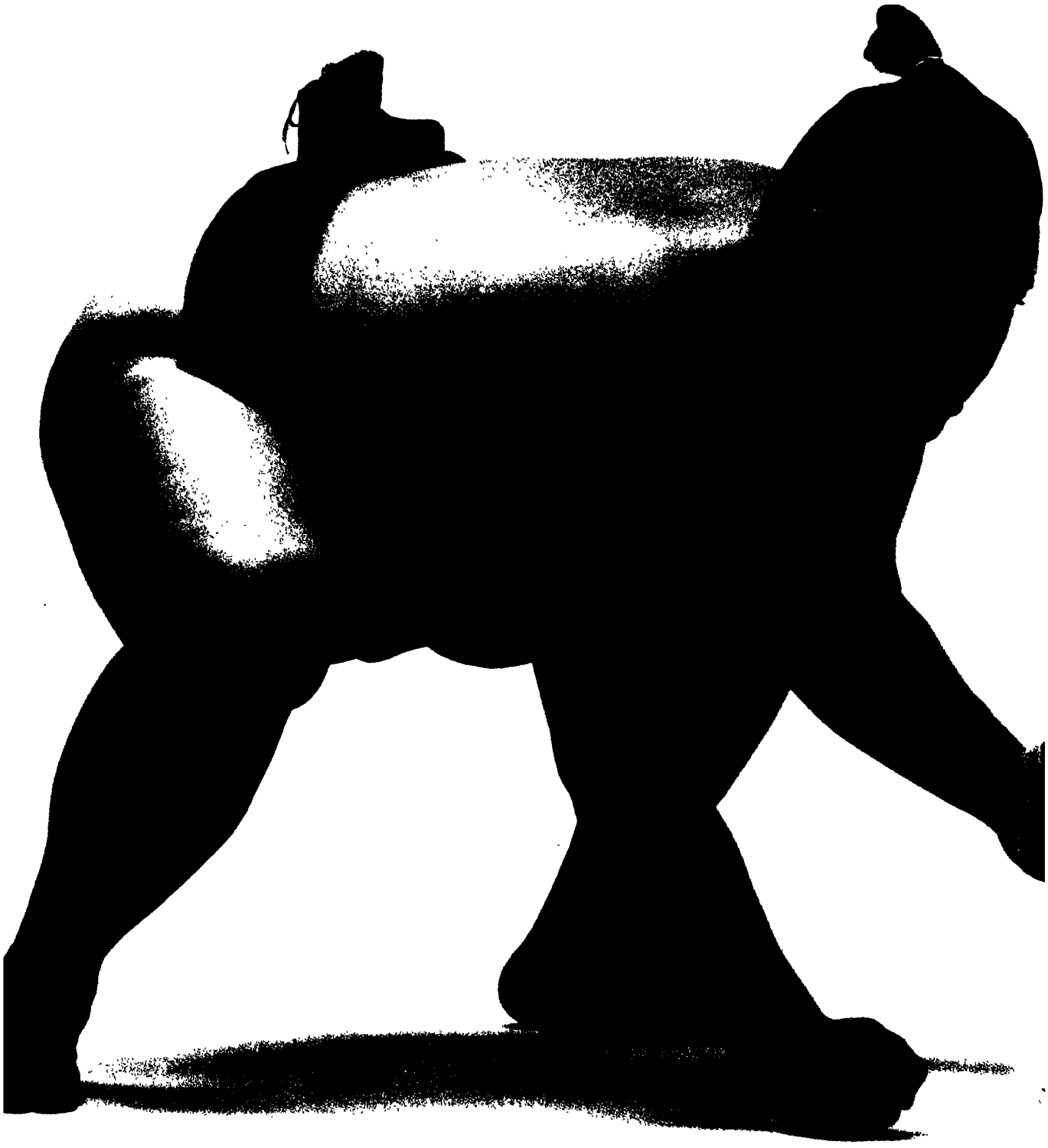
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certainly has created ripples. "It's ultimately business volumes and profit per employee that will decide the survival of banks in the long run. It's time for nationalised banks to watch out lest their competitors knock the wind out of them." says D.P. Roy, DMD and group executive (associates and subsidiaries) of SBI. Though the merger will not affect SBI, it nevertheless cannot ignore the emerging scenario. Sooner or later its owners will have to consider amending the SBI Act to give it the freedom of merging at least some of its associate banks.



SANJAY BORADE

Javeri says mergers and acquisitions are the new reality

Looking ahead

Would HDFC Bank look at further acquisitions to accelerate growth? The newest buzz in banking circles is that Parekh is eyeing Corporation Bank. But, why Corporation Bank? The answer to this is simple. HDFC does not have a strong presence in the south and that is the backyard of the Corporation Bank. "I cannot think of acquiring housing finance companies as most of them have huge exposure to construction companies which have gone bad. But if I want to make housing loan products available in every corner of the country I cannot be content with my existing office network (56). Hence, I have kept open the option of acquiring a nationalised bank. But it will have to be one that fits into our synergy and it has to come without NPA baggage. But acquiring a public sector bank is only possible if the government decides to reduce its holding," he says. "HDFC is an established brand, it has good corporate governance practices and stringent quality control on its business, and I think the government and the regulators would be only too happy to permit us to take any bank. Apart from this we'd prefer it if the government permits the sale of selected branches as well, as is done in some of the developed countries."

But why is the HDFC group looking at geographic expansion in the era of Internet banking and e-commerce? "As part of our new strategy we intend to cross-sell our housing and banking products. We have agents to sell our fixed deposits schemes, but we never appointed agents to sell our housing loans to avoid compromise on the quality of the loan," says Parekh. But the due diligence of the loan proposal will be by HDFC and not the bank. Similarly, HDFC will sell banking products. So each exploits the resources of the other, and both get fee income for this. Consequently, the businesses of both will grow.

Says Puri, "Even in the US it is seen that standalone Internet banks have taken a beating. For growth it has to be a combination of geographic expansion and Internet banking. That's precisely what we are doing. We are the first Indian bank offering Net banking on-line on a real-time basis on the Internet. We are in the process of building a secure payments network for e-commerce."

The HDFC group has an in-house software and technology division which it is considering spinning off as a separate subsidiary. It is also looking at possible alliances with software companies. The approach is to synergise operations and remove operational overlaps between the group companies. The infotech company will initially serve only the group, but it may subsequently offer its expertise to others as well.

"The objective is that HDFC group becomes a one-stop financial supermarket," says Parekh. Towards this objective it is moving into insurance and has tied up with Standard Life (which is seeking FIPB approval for a 10 per cent holding) and the partnership is 74:26 as per the stipulations of the Insurance Act. The name of the new company will be HDFC Standard Life Insurance Company. HDFC is also moving into mutual fund business. "Every insurance company has to deploy its funds and hence has an asset management company. The AMC will be launched in February 2000 and will be called HDFC AMC. Initially HDFC will go it alone but at a later date Standard Life will be a partner in this business as well."

Is Parekh looking at the universal banking model? "No. We do not want to get into unrelated areas. We'll focus on our core competency. However, at an appropriate time we will consider merging the bank with HDFC. The liquidity of a housing finance company is different from that of a bank. Merging doesn't make sense now as the banks have to maintain 25 per cent SLR and 9 per cent CRR which means we'll have to lock in over Rs3,400 crore for every Rs10,000 crore in deposits just to meet the RBI stipulations." But a merger can only happen when the RBI comes out with guidelines on universal banking.

◆ ROHIT RAO



RAM TARNEJA

Dr Ram S. Tarneja is a noted management professional and a former managing director of Bennett, Coleman & Co. Ltd.

Reviving Asian cities

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During the closing decades of the 20th century, Asian countries have witnessed unprecedented urbanisation. During 1970-95, Asia's urban population increased at annual rates averaging between 3.27 and 3.62 per cent, taking the total urban population from a base of 502.9 million in 1970 to 1,197.7 million in 1995. According to World Bank estimates, the proportion of population residing in urban areas in Asia is expected to go up from 24.62 per cent in 1995 to 47.80 per cent in 2015.

The process of urban transition in Asia has been accompanied by important changes in the pattern of distribution of urban population. One important change relates to the proportion of urban population living in the comparatively larger cities, e.g. cities with over 500,000 population. In Asia as a whole, this proportion has risen from 40.2 per cent in 1970 to nearly 46 per cent in 1990. A more distinctive change in this region concerns the emergence of mega cities — cities with over 10 million population. In 1970, there were two cities in this category which commanded 5.5 per cent of the total population. By 1990, the number of such cities rose to seven, and the population share to 9.2 per cent. The number of mega cities is projected to increase from nine in 1995 to 18 in 2015. During this period, the population of these cities is estimated to increase from 194 million to about 305 million.

Of these cities, Singapore is 100 per cent urban, Hong Kong has an urban population of 95 per cent, while the Philippines and Indonesia, with Manila and Jakarta as the principal cities, have an urban population of 38 and 22 per cent, respectively. Mumbai has since emerged as the largest Indian city, leaving Calcutta – once the second largest city of the erstwhile British Empire — far behind.

Among these cities, while Singapore and Hong Kong are advanced in the application of high technology in their industrial processes, the other cities are still in the process of ushering in the industrial revolution. Mumbai has developed a number of services and value-added industries. Another notable feature of these cities is that they are predominantly governed by central bureaucracies except Greater Mumbai, where democratic decentralisation of local government is well advanced. However, a major problem in all these cities is the multiplicity of organisations which deal with ecological issues.

The urbanisation level has a close relationship with economic growth. Beginning with the 1970s, Asia has seen a major socio-economic transformation. The GDP of East and Southeast Asian countries during 1970-93 has risen at an unprecedented average annual growth rate of 6.9 to 7.8 per cent, while that of South Asia has grown at an annual rate of 3.5 to 5.2 per cent. More than 60 per cent of the GDP in Asian countries such as Korea, Malaysia, Thailand, the Philippines, Indonesia, Sri Lanka, India and Bangladesh is produced by the industry and service sectors, which are essentially urban activities.

However, India has had to pay a terrible price for economic growth. In two decades, while the GDP more than doubled, industrial pollution increased four times and vehicular pollution eight times. The policy makers have consistently underscored the cost of death and disease due to environmental degradation. According to a *State of Environment* report prepared by the Union environment ministry, environmental degradation cost the country $9,715 billion or about Rs36,800 crore in 1995.

Of the total average cost, about Rs5,240 crore is attributed to the health effects of urban air pollution and about Rs22,840 crore to the effects of water pollution. Soil degradation, leading to loss in agriculture output, cost about Rs6,560 crore, while land degradation leading to loss of livestock cost Rs1,312 crore and deforestation and loss of sustainable timber supply about Rs856 crore.

According to the ministry report published by *The Times of India*, an estimated 110 people die prematurely everyday due to air pollution in 36 Indian cities alone and 57,000 persons have to be hospitalised or need medical treatment everyday. This is because as against a WHO specified permissible limit of dust/suspended particles in the air of 20 gm/m^3, the levels in Mumbai, Delhi, Calcutta and Bangalore were 500, 460, 460 and 200 respectively. Thus, India has four of Asia's top 10 air polluting cities.

The major environmental challenges are: the greenhouse effect, ozone depletion, acid rain, hazardous waste management, vanishing

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water conservation, management of water pollution and waste management. Asia faces special problems of development dynamics and associated population and environmental problems such as rain forest depletion, desertification and soil erosion. To top it all, poverty levels in Asian countries add a new dimension to the environmental issues.

The urban ecosystem of Asian countries is in great crisis. Large cities have the problems of over-congestion, shortage of drinking water, air pollution, noise pollution, unemployment and inadequate housing for more than 50 per cent of the population. There is an urgent need to promote small towns which can function as urban centres having small scale industries, cottage industries, and various social services, including education, health markets, etc, so that the urbanisation process through rural-urban migration can be checked.

Modern technology has helped many Asian countries tide over mass starvation and unemployment. But this very technology is responsible for a number of environmental problems.

Land resources in Asia are threatened by the increasing population pressure, soil erosion, salinity and encroachment of cities on agricultural lands. Special measures are required in the urban fringes to stop the flow of untreated industrial effluents and to relocate brick kilns away from cities.

Water shortage is becoming a major concern for Asian countries. The underground water table has gone down through overdrawing of water for irrigation. Water resources planning needs to be undertaken in all Asian countries. Non-conventional sources of energy, particularly, solar and bio-gas energy, should be made sufficiently available in Asian countries. It is particularly important as the rapidly growing population is putting too much burden on the available conventional energy resources.

While environmental degradation is increasing because of population pressure and the style of development in Asia today, we do not have adequate information and techniques to assess the environmental impact early enough to foresee emerging problems and to take corrective steps.

There is an urgent need to promote small towns which can function as urban centres having small scale industries, cottage industries, and various social services, including education, health markets, etc

Careful and efficient use of natural resources will be of utmost importance in determining whether humankind will be able to face the challenges of the 21st century. There would be a need to maintain the natural resource base in a judicious way that would support one billion people in India in the years ahead. Issues relating to sustainable use and nurturing of our land, water, air, forests and genetic wealth would have to be addressed. The environment agenda would have to include security based on careful management of land and water resources, energy use, conservation of the ecosystem and bio-diversity.

Human ecology should be seen in a holistic frame of reference so that the natural environment is protected and conserved, human dignity assured and cultural development guaranteed. There is a need for immediate instruction for the training of current decision makers on the principles of human ecology.

All tiers of education should be addressed and emphasised at the tertiary level in the fields of economics, planning and law. The existing conduct of the mass media should be used to guide human ecological awareness as well as new developments and applications of information technology, such as remote sensing and electronic communications. Education, both formal and non-formal, has not been effectively used to promote human ecological balance. Special efforts have to be made to prepare curricula for primary, secondary and tertiary education in ecology and environment as an independent subject and also as integral parts of the various disciplinary studies. Similar efforts are needed in teachers' training programmes.

Community leaders, political leaders, business leaders, teachers, doctors, lawyers and all those who are involved in decision-making and public opinion formation must also be covered. Therefore, that strong training programmes have to be evolved for this group using mass media and modern information technology.

People's participation is a must in any development effort. Development means the development of people. Development is, thus, the concern of the people. Governmental agencies should only support the efforts of people. This is the ideal situation. But we are far away from this ideal. Much of the developmental efforts are from the government. People are getting alienated and unconcerned about what governments do. It is recommended that voluntary agencies, NGOs and local institutions should be given greater responsibilities to plan their future.

Political will and commitment is a must for creating ecological movements and for achieving environmental goals. Political leaders in the Asian countries should pay special attention to the degradation of the environment before it is too late. Once the ecosystem is destroyed, it may not be possible to rebuild it again. ♦



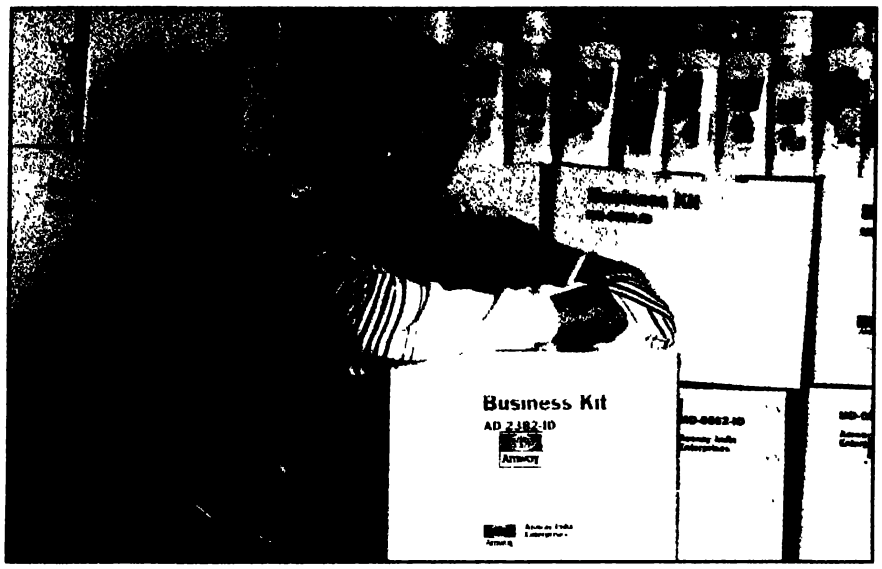
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Amway is a long-term player, says Banerjee

Sudershan Banerjee knows the numbers by heart: there are 19 million households in urban India which can't do without a toothpaste and a shampoo. As MD & CEO of Amway India Enterprises — a wholly-owned subsidiary of one of the largest direct selling companies in the world, Amway Corporation (US) — he is aware that direct selling companies will need two million distributors to reach out to this market.

After one year of its operations in India, Banerjee feels that Amway is well on its way to getting there. The company now has over 2.5 lakh distributors — half of them selling products like Tupperware and Oriflame in India — and is adding 25,000-30,000 every month to the list. These figures give Banerjee another reason to be pleased. Says he, "Each Amway distributor is also a prospective user of Amway products."

Of course, the product range is still not as comprehensive as it is for Amway users in the rest of the world. At the moment, Amway India has only 18 home care and personal care products of the total 450 products sold by the 40-year-old direct selling company in the rest of the world. "We are adding two-three new products every two months. And all our products are manufactured in India using mostly local materials," says Banerjee. All direct selling companies have to source their materials from India and get the products manufactured in small-scale industries.

Amway, which faced its share of controversies regarding its distribution network, now feels that the worst is over. "We never had any problems with the government because we were meeting all the norms set down by it," says Banerjee.

When Amway started out (with four home care and two personal care products), the products were available only in one litre packs and the prices were much higher than what an average consumer was used to. "Though the value per pack was much higher for the consumer we realised that this message was not going through so we decided to introduce smaller packs," says Banerjee. Hence, the company came up with 500 ml packs and also sachets.

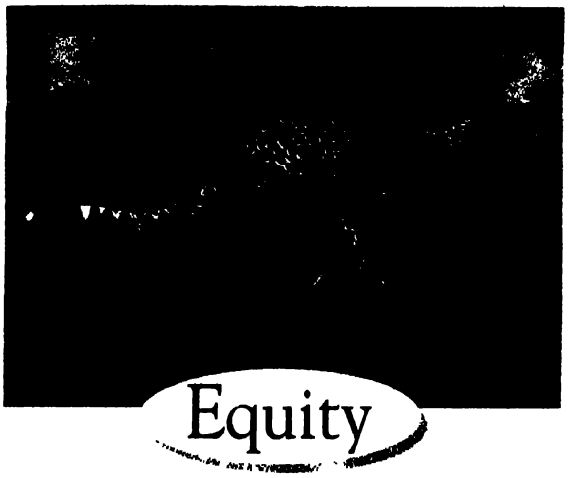
Now Amway products like Dish Drops (a concentrated dishwashing liquid) and Zoom concentrate (a multi-purpose hard surface cleaner) are available in 500 ml packs as well. Prices or Amway products range between Rs5 and Rs322. All these strategic mo s helped Amway India Enterprises no h up a turnover of Rs100 crore this y r and the company is expecting t s figure to go up to Rs300 crore next y and to Rs1,000 crore by the year 200

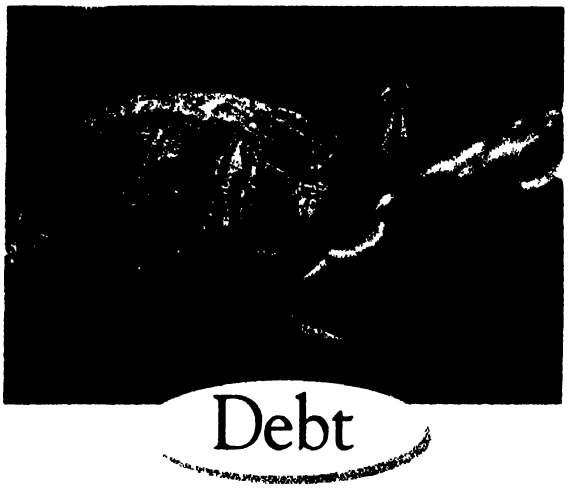
What helped Amway is the fact th the virgin market is still being tapp According to estimates, India is wor Rs520 crore. The direct selling indu try in India registered a whopping per cent growth this year. The last o year has also seen Amway concentra on expansion. It set up offices in cities and this figure is likely to doub by August 2000. All the offices are al satellite-linked and, according Banerjee, Amway is the only dire selling company which does real tim invoicing. "We are long term player We have invested in our infrastructu because we believe in convenience f the consumer," says Banerjee. Th parent company has invested $ million as direct foreign investment i Amway India Enterprises.

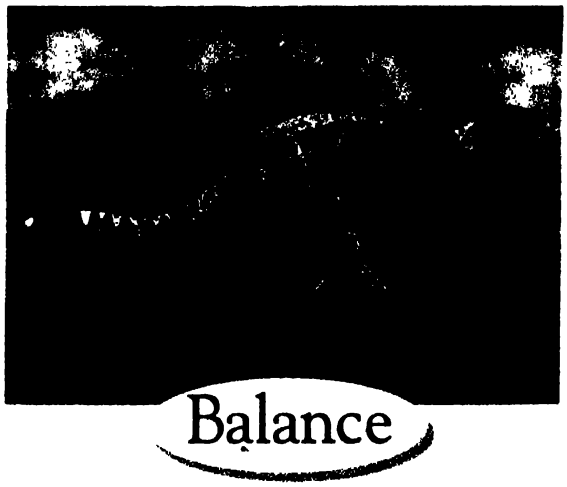
Amway also undertook two oper tions: Operation Ghar, under whic small Amway offices (with on employee) were set up in nine cities t provide the conveniences of orderin through a local phone call, deliver payment, return and information t its distributors. Operation Ghar i likely to reach 53 cities by Augus 2000. A sequel, Office Gadi (or offic on wheels), which was started in Oct ber this year (and is being te marketed in Uttar Pradesh), is aimed providing a bridge between now an the time that Amway sets up its ow offices in these towns.

For the coming year, Amway pla to introduce nutrition and nutritio food supplements. It is, however, wit cosmetics, also slated to be introduce in India in the coming year, th Amway will face its real test. Besid brand loyalty there are other com nies like Oriflame and Avon whi have already made inroads into t direct selling market. Banerjee is con dent: "If I can sell a toothpaste at Rs why can't I convince people about t superiority of my cosmetics?" W not, indeed.

• PUNAM THA







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ARUN MAIRA

The author is chairman of BCG India

The questions of change

When will Indian companies surpass the performance of their international competitors?

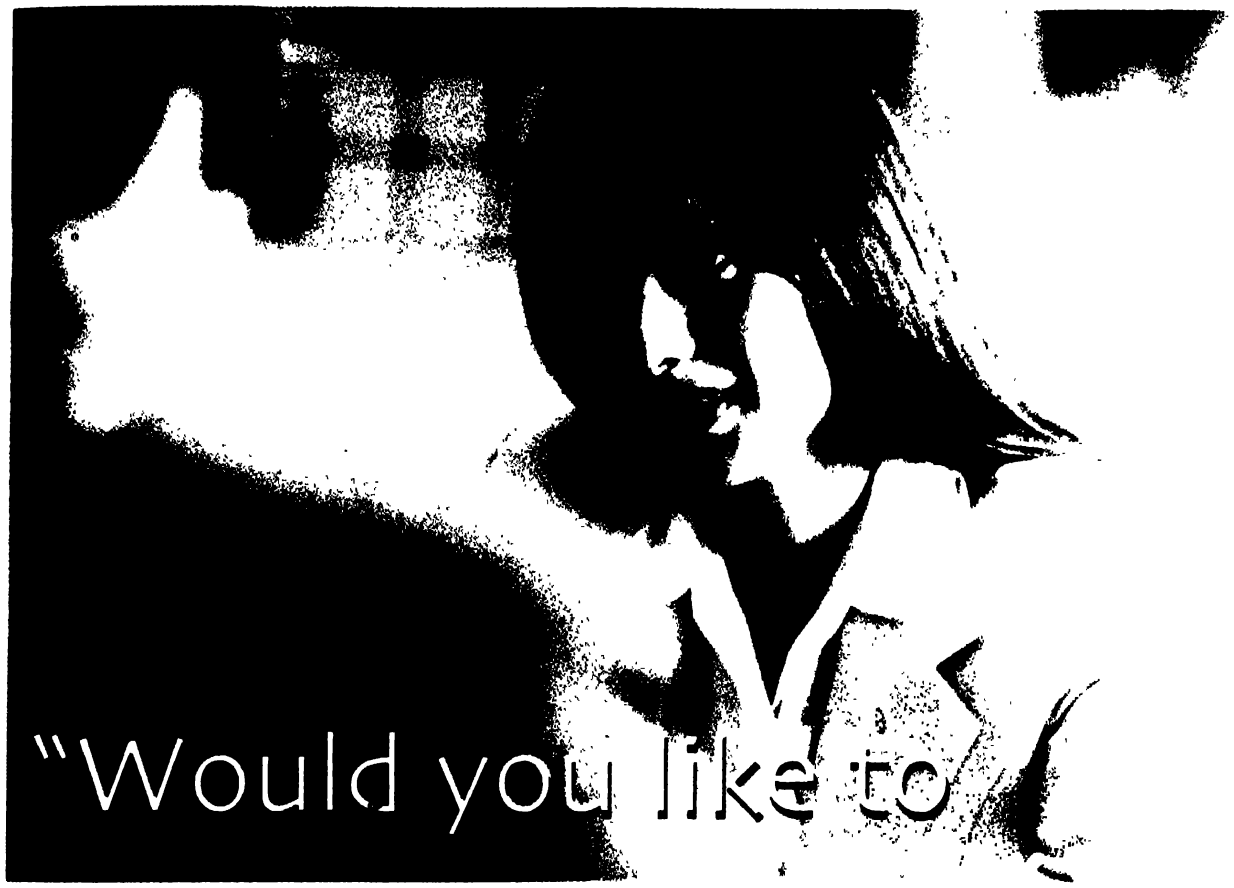
A process of organisational transformation, in any business, proceeds along three rails. The first is the rail of Action. New business results have to be produced. To do this, strategies have to be developed, structures and capabilities changed, and new resources put in place. The second is the rail of Involvement. At the end of the day, people have to make the changes. Processes and technologies are vital because they produce the results. But processes and technologies do not discover themselves, nor change themselves. People make that happen. Therefore people, at many levels in the organisation, must be involved to conceive of change and to bring it about. The third is the rail of Learning. To bring about useful change, people – including the CEO – must have insights into what is happening in their environment, and what the leverage points for change are in their own organisation. Invariably they would also need new capabilities if the change were to be truly transformational.

Perhaps every successful executive understands that change must proceed along all three rails. However, to produce change, executives very often drive along one of the three rails and let it drag along change in the others. For example, they concentrate on Action. They work on strategies, structural changes, and fast implementation. People come along with the changes and learn many things along the way. But while pushing along one rail, it would be better to remove the resistance on the others, and best of all to deliberately put power on all three simultaneously. That way the process of change would be much smoother and faster.

Some executives do realise this, and so they introduce several programmes to address the various aspects of change. They hire the best experts in organisational development. They engage advisors for strategy. And they bring in specialists in the core processes that require improvement. However, their organisations often end up feeling like the patient in the consulting room with three different doctors diagnosing and prescribing to him at the same time. One is a surgeon, who believes the problem requires surgery. The other is a physician, who is convinced the latest wonder drug is the cure. The third is a psychiatrist, who believes the problem is mental. The patient is bewildered. It is his body that these various experts, each with a narrow view of it, are proposing to treat. What a mess they may make of it! So either he must choose one of them, or turn them all away — sometimes after they have already done some damage.

A holistic understanding of the process of organisational transformation, and measures of the state of resistance and motion on all three rails, enable executives to put more energy and resource where required. Thereby they can keep organisational change moving along all three. A benefit of this approach is speed, of course. Another significant benefit is less wasted energy in the process of transformation. Many organisations that have changed themselves successfully to improve their business performance unfortunately have done so at great human cost. Executives carry their bypass surgeries like medals of war. Besides, family lives take a heavy toll as managers do more physical (and emotional) work than necessary to bring about the changes required.

We all know that fairly radical change is required in all Indian businesses. Because a confluence of forces is building a tsunami that may shake even the strongest Indian company. We know that these forces include globalisation, which is bringing strong competitors into India. And that another set of forces is arising from the advent of Web-based information technologies which, while they create new business possibilities, throw up new opportunities for investors and employees, making established businesses less attractive to them. Conscious of the need for change, many companies are setting out on restructuring programmes. But all their efforts may be for naught at the end if they cannot change and improve faster than companies elsewhere. Companies internationally are already ahead of Indian companies in their performance capabilities. And they continue to change and improve under great competitive pressure. If Indian companies cannot change faster, they will never catch up. To change faster than their potential competitors, Indian companies have to master the process of accelerated organisational change. In this one process at least, they must be the international benchmarks. •



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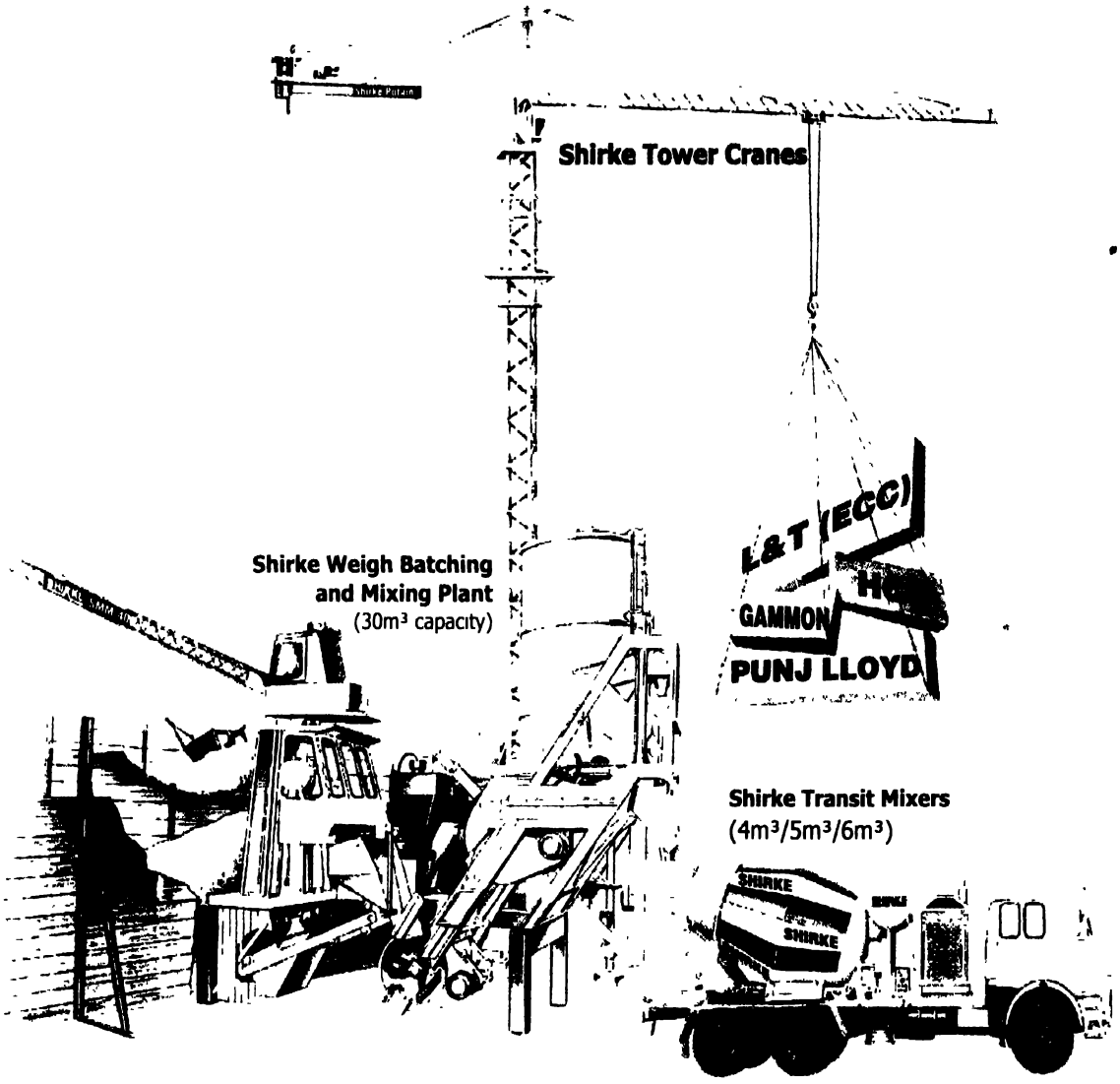
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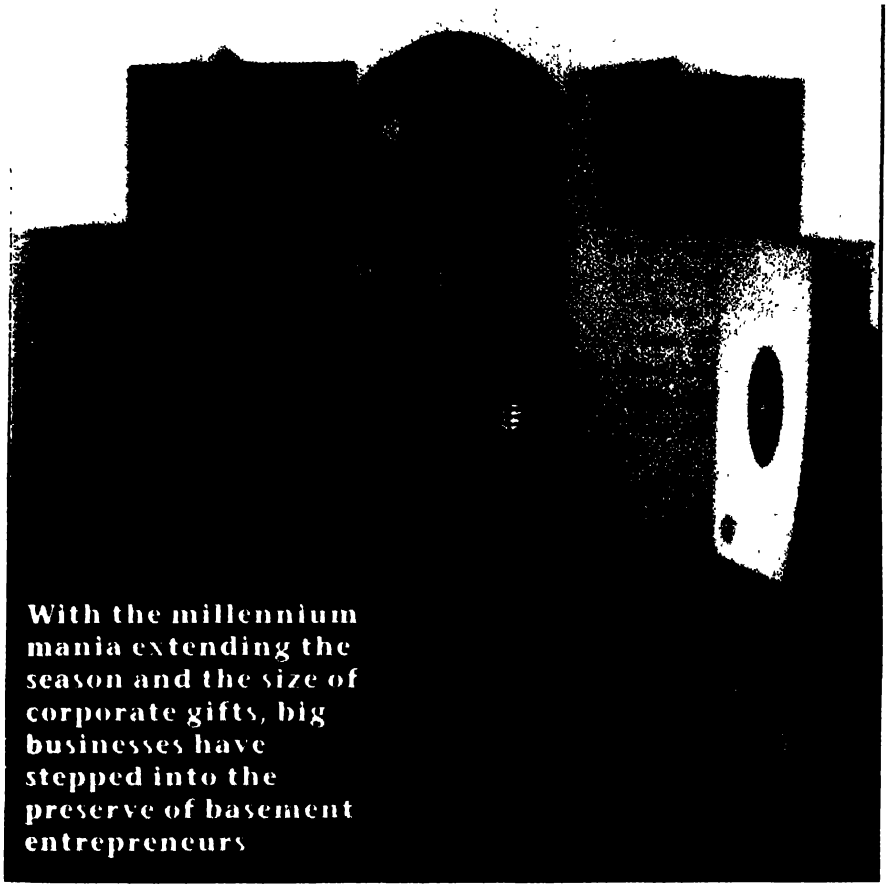
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Gifting is serious business



With the millennium mania extending the season and the size of corporate gifts, big businesses have stepped into the preserve of basement entrepreneurs

After food coupons, gift coupons were but a logical step, says Sodexho's Saxena

Christmas and the New Year are still to arrive and it's more than a month since Diwali. But don't be surprised to find a brightly-wrapped package on your desk when you reach office any of these mornings. Present from a secret admirer? Gift from one of your business associates more likely. With the millennium around the corner, companies have more time – and reason – this year to go and impress clients. "Any time is right time at least for the next few months," says housewife-turned-entrepreneur Nita Rawal, who ventured into the business of corporate gifts three years ago. "It's a great opportunity this year."

Rawal isn't the only one celebrating. With over-the-counter sales dropping in the last couple of years, despite attractive consumer schemes, more and more consumer goods companies are eyeing the corporate gifts market in order to clock higher returns. While there is no way of confirming figures, market analysts say the corporate gifts segment is growing at an impressive 25 per cent annually for the last two years. Today, it's easily an over Rs1,000-crore industry, they observe.

Hardly surprising then that small entrepreneurs like Rawal are suddenly pitted against not-so-small business houses. Wristwatch and clock companies, pen manufacturers, chocolate barons, and home appliances companies apart, a host of others are rapidly jumping on the corporate gifts bandwagon. There are leading menswear labels, stationery products manufacturers, leather goods companies and even food coupon multinationals. "We are not just eyeing the festive season. We want to make corporate gifts an annual business, by targeting seminars and conferences as well," says Ashish Pandit, chief operating officer of Clips India, a leading stationery products company.

Clips has recently introduced a special millennium gifts range called the Privilege. The latest collection includes desktop accessories such as visiting card holders, stop watch millennium table clock, visiting card cases, revolving desk organisers, compact-disc holders, and other such with gold-plated and silver exteriors. By end of year 2000, the Privilege range is expected to notch 30 per cent of Clips' annual corporate gift sales. While the figure doesn't signify much without the exact projected volume or value statistics for the same period, what it does imply is a significant growth in the company's corporate gifts business.

There are various reasons that the corporate gifts business is booming. Some analysts believe it's a fallout of an incentive-ridden workplace. Indeed, today, corporations are constantly looking for special ways to show they care – either to their dealers and customers, or their employees. And, what better way, than to reward them with an innovative gift coupon. "Money is no longer the single-most factor that keeps employees (*read:* the trade as well) happy," says Coca-Cola India's vice-president (HR) Nalin Miglani. Understandably, this realisation is opening a huge business opportunity.

Cashing in on this chance is Sodexho Pass, the fully-owned Indian subsidiary of $14 billion French multinational Sodexho Alliance, which introduced the concept of food coupons for employees of corporate houses in India about a year ago. And from food to gift coupons was but a natural step, according to Sodexho director (sales and marketing) Ravi Saxena.

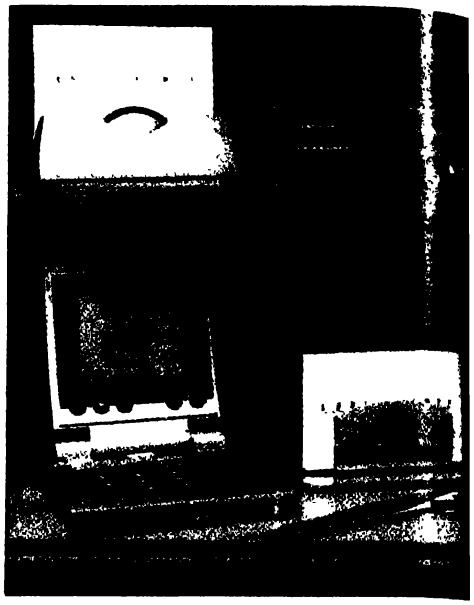
Sodexho has tied up with various retail outlets in as many as 100 cities across the country, from departmental stores to high-end fashion and

jewellery boutiques. Sodexo works out a payment system with both the store and the corporate house purchasing the coupon for its employees and the recipients of the coupons can exchange those for items from the store. For the companies, too, the idea works well. "We have found the coupons a one stop solution for gifts during the festive season. Also, our costs have actually gone down," says Sujata Bhatt, senior brand manager with Tefal India. Sodexho's other clients include such corporate houses as the Tatas, Procter & Gamble, Godrej, IFCI and Philips.

"It's a logical extension of our core business," says Saxena, who conceptualised the idea. "The exchange of gifts is a traditional practice across India's diverse cultures. And we've extended the idea of corporate gift coupons to other countries around the world as well." Entering the market only about a year back, Sodexho has developed a wide network across the country, and has customised its operations to suit the local environment and meet particular regional needs.

The successful introduction of gift-cheques in India has given a notable fillip to Sodexho's topline (unofficial estimates put sales for 1998-99 at Rs65 crore) in the country. In the last festive season alone, the company claims to have notched up sales of Rs30 crore from its gifts coupon business. The bottomline, too, is set to grow impressively as Sodexho has successfully exploited its infrastructure and distribution network for the food coupon business to grow the gift coupon business. "We've followed an identical *modus operandi* for both the businesses," says Saxena. An added plus is the fact that the season for this business is mostly in the last quarter of the year, leaving enough time for Sodexho to consolidate and plan its core business.

Today, there are companies, mostly in the unorganised sector, who are offering the standard gifts in bulk at reasonable prices, and there are the premium-priced brands. In between the two extremes are companies such as HMT, Titan, Inalsa, Prestige,



The millennium gift range from Chips India

Hawkins and Bajaj, who are reigning supreme in the mid-priced segment.

Interestingly, it's the premium-priced segment that's seeing maximum action. The reason is that the competition is not so severe here, and



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the returns are higher. An unusual entrant here is Mohan Clothing. This Delhi-based manufacturer of the premium-priced Blackberrys menswear range (Rs1,200 onward for a pair of men's semi-formal trousers) has picked the corporate gifts route to sell its winter fall collection.

A similar strategy seems to be working for Sunil Mehra, who runs one of Delhi's leading menswear stores, The Study. Mehra has now floated another venture called the Study Truth Tie Collection which has recently introduced a range of thematic ties for executives. Of course, ties as a corporate gift are not innovative. Companies like Bentley and Zodiac have for long been in the game. But what is new is the fact that upmarket designer labels like The Study have now begun using their brand equity to grab a slice of the corporate gift pie. Based on colours such as Pitamber and Royal Blue which create a feeling of spiritualism, Mehra's ties sport hand-embroidered motifs of various deities such as Shiva, Krishna and Buddha. Mehra says these ties are a perfect corporate gift as they attempt to bring peace to the stressed mind of the executive.

Another upmarket brand which has jumped on to the corporate gift bandwagon is Da Milano, one of Italy's leading leather brands. Its range of products costing in the region of Rs4,500, are targeted at high profile corporate executives, and are ideal gifts for companies seeking to make an impression with their clients.

Ties and briefcases may not be surprise items as corporate gifts. So how about presenting an entire range of designer furniture to celebrate the millennium? Sounds interesting? Usha Lexus certainly thinks so. Arguably the best-known brand of wooden furniture, Usha Lexus has recently created what it calls the Manhattan Apartment Package-2000, which it is marketing as a corporate gift. "As the millennium approaches, we thought we should come out with something new and different that will make it a moment to remember," says Usha Lexus director Anupam Bharat. "Through the unique combination of wood and steel we've tried to give a feeling of one century blending into the next." Clearly, in the new millennium, anything's possible.

• MANOJ NARULA



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A time to consolidate

Coca-Cola is reorganising its manpower in India

Diwali at Coca-Cola India this year was straight out of the movie *Hum Saath Saath Hain*. The recently-released blockbuster has been partly promoted by the beverage multinational. And the feeling of camaraderie that the film propounds was on abundant display at the Coke corporate headquarters in Gurgaon near Delhi last month.

As one entered the foyer of the plush Enkay Centre which houses Coca-Cola India, one was greeted with a colourful *rangoli*, right at the centre, artistically decorated with flower petals and coloured chalk powder. In the middle stood a tall brass stand with five *diyas* waiting to be lit. But, what role was the local custom playing in a purely American organisation such as Coca-Cola? Short answer: it was spreading the message of togetherness.

Indeed, no company needs to do that more aggressively than Coca-Cola these days. For, having completed the restructuring of its bottling operations a few weeks ago, the beverage giant has suddenly acquired a huge staff of nearly 10,000 employees and 300-odd managers who have to be integrated into the Coke culture. Only a year ago, Coca-Cola India's employee roster was half this size.

Post-restructuring, Coca-Cola will be two companies. Coca-Cola India will be the corporate and marketing office, while Hindustan Coca-Cola Beverages will be the bottling company. The latter has been formed from the merger of four bottling subsidiaries — Hindustan Coca-Cola Bottling North-West, Hindustan Bottling South-West, Bharat Coca-Cola Bottling North-East, and Bharat Coca-Cola Bottling South-East.

Apart from sheer numbers, the merger has carried forward a set of people who've worked in varied cultures and believed in diverse values. The question now is: how to make all of them think Coke? When Nalin Miglani former regional HR manager of BAT joined as the vice-president of human resources on 1 July, his brief was clear: "To first inculcate a sense of belonging in the organisation, and then bind the people under a unified work culture," he says.

To add more fizz, just before Diwali, Miglani made another gesture to tell employees they belong. The personnel department drew up a list of all staff at the corporate office and their birthdays; a budget of Rs100 each was set aside. Henceforth they will get flowers and a card personally signed by the CEO, who will also address employees every quarter. Recordings of the address will be circulated to 55 locations across the country.



Short is at the end of his stint in India

Alongside such practices, Miglani is evolving a new management structure. So far each of the bottling plants were independent companies with their own organisational structures. Coca-Cola had, at best, franchise managers who were posted at these plants to oversee operations. So, if the southern region had 12 bottling plants, there were as many chief executive officers running them as they wished. Now that has changed completely.

The entire south, for instance, has been divided into two regions. Each region will be headed by a regional general manager who will report to the corporate office in New Delhi. Each plant in the region will have a manager who will report to the respective regional general manager. Like the south, the structures for the rest of the three regions are also being put in place. The idea is simple: one company, one rule.

Not surprisingly, then, the new arrangement has thrown up several redundancies. Coca-Cola is now in the process of declaring a voluntary retirement scheme for the nearly 1,200-odd surplus manpower at its bottling plants. For those who remain, there is a fresh focus on career management. Coca-Cola worldwide has a competency model to identify prospective talent and plan their development which Miglani is trying to adapt in India.

Twice a year, regional general managers will meet with their top-management teams to review the performance of their staff; fast-trackers will be identified and groomed for more responsible positions in the organisation. In the next three or four months performance-linked wage incentives will also be introduced at the plant and territory levels.

Next year Coca-Cola is planning to send some of its promising management trainees for a three-week internship to its overseas offices. In fact, gradually, the India office will focus on becoming a global pool for talent. Already Miglani has to deal with at least two proposals from Coca-Cola offices abroad every month requesting him to send Indian managers on deputation. So far this year a couple of managers have been sent out to Atlanta to work on global brand management; another has been relocated there to handle channel marketing, and a fourth is in Tashkent handling field operations.

But, even as Coca-Cola India managers criss-cross the world, CEO Don Short is leaving and will be replaced by Doug Jackson from Atlanta. Coca-Cola sources say Short's stint in India was due to end next year. Be that as it may, the question that's uppermost in most minds is: will Jackson have Short's vision for India? Surely, Pepsi wants a quick reply to that one.

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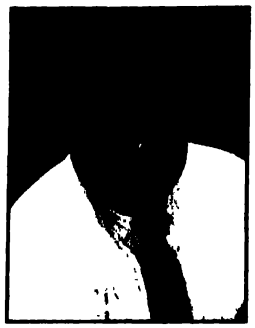


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HIMANSHU SHUKLA

The author is an infotech entrepreneur based in the US

To admit or not to admit

The H-1B visa has been the centre of a controversy in the United States

The entire issue of immigrants into the United States and the conditions under which they should be admitted, has been a controversial one — that too, ever since the founding of the American Republic.

There have always been those who argue that America can no longer absorb additional people as they may take away employment opportunities from those already in the country. In recent years, a more focused debate has developed about whether a shortage of information technology (IT) workers exists and, if so, whether the annual cap on admission of non-immigrant (temporary) H-1B specialty workers should be raised.

The H-1B visa was devised to allow workers to come to the US for, up to six years, provided that they work in "specialty occupations" such as architecture, engineering, mathematics, physical sciences, social sciences, medicine and health, education, law accounting, business specialties, theology and the arts. With some exceptions, the attainment of a bachelor's degree or its equivalent is a minimum requirement. Approximately 42 per cent of those admitted to the United States with these visas come from India.

When the annual cap of 65,000 proved inadequate to meet the demand for these workers, Congress passed a law last year to increase the admissions ceiling to 115,000 in both 1999 and 2000. Thereafter, the cap on H-1Bs is scheduled to decline to 107,500 in 2001 and revert back to 65,000 in 2002.

By passing this law, Congress sought to address the obvious shortage of these workers and also encourage US students to seek the education and training required to fill these positions in the future. The latter is evident from the Congressional mandate of the annual cap declining after two years and the diktat that the $500 filing fee that prospective employers pay for each H-1B applicant be used to fund technical skills training for American students.

The debate over the H-1B programme was recently revived when the Immigration & Naturalisation Service (INS) announced that it may have issued as many as 20,000 visas above the 115,000 allocated for 1999. Opponents of the programme including Congressman Lamar Smith (Republican-Texas), the chairman of the House Immigration Subcommittee, proposed correcting the error by reducing the number of visas available in 2000 by an equal amount. Proponents of the H-1Bs programme, such as senator Spencer Abraham (R-Michigan) rejected this approach.

One of the ironies of this debate is that it transcends traditional party lines. Both representative Smith and senator Abraham are Republicans. While Smith is not favourably disposed towards ethnic minorities. Abraham comes from the internationalist wing of the Republican Party, which receives support from business groups interested in trade.

Democrats are equally divided on immigration issues in general and H-1B in particular. Representative Dick Gephardt (D-Missouri), the House Minority leader, has close ties with organised labour which objects to expanding the H-1B programme, claiming it will take jobs from American workers. On the other hand, vice-president Al Gore, who is close to the hi-tech industry, is pro-immigration.

How Indians are affected

The next stage in this debate will centre on how the 20,000 H-1Bs, who were allegedly admitted above this year's quota, will be treated. The outcome of this controversy will lie in how the politics play out, and will directly affect the future growth of America's IT industry and its role in the global economy.

And this will directly affect the competitiveness of various strategies being pursued by different Indian IT firms. Interestingly, bodyshoppers who source to American IT companies are unlikely to be significantly affected while Indian companies that are dependent on servicing their US customers on H1-Bs will be highly vulnerable to policy shifts Indian firms which have strong offshore capabilities will be in a better position to manage and weather the anti-immigrant storm. The real winners, though, will be Indian IT firms that can bridge an Americanised workforce in the US with good offshore capabilities. They will be able to maintain optimal customer service which still requires, in the dynamic environment of software developed, face-to-face engagement while providing the advantages of Indian labour — high quality at attractive prices.



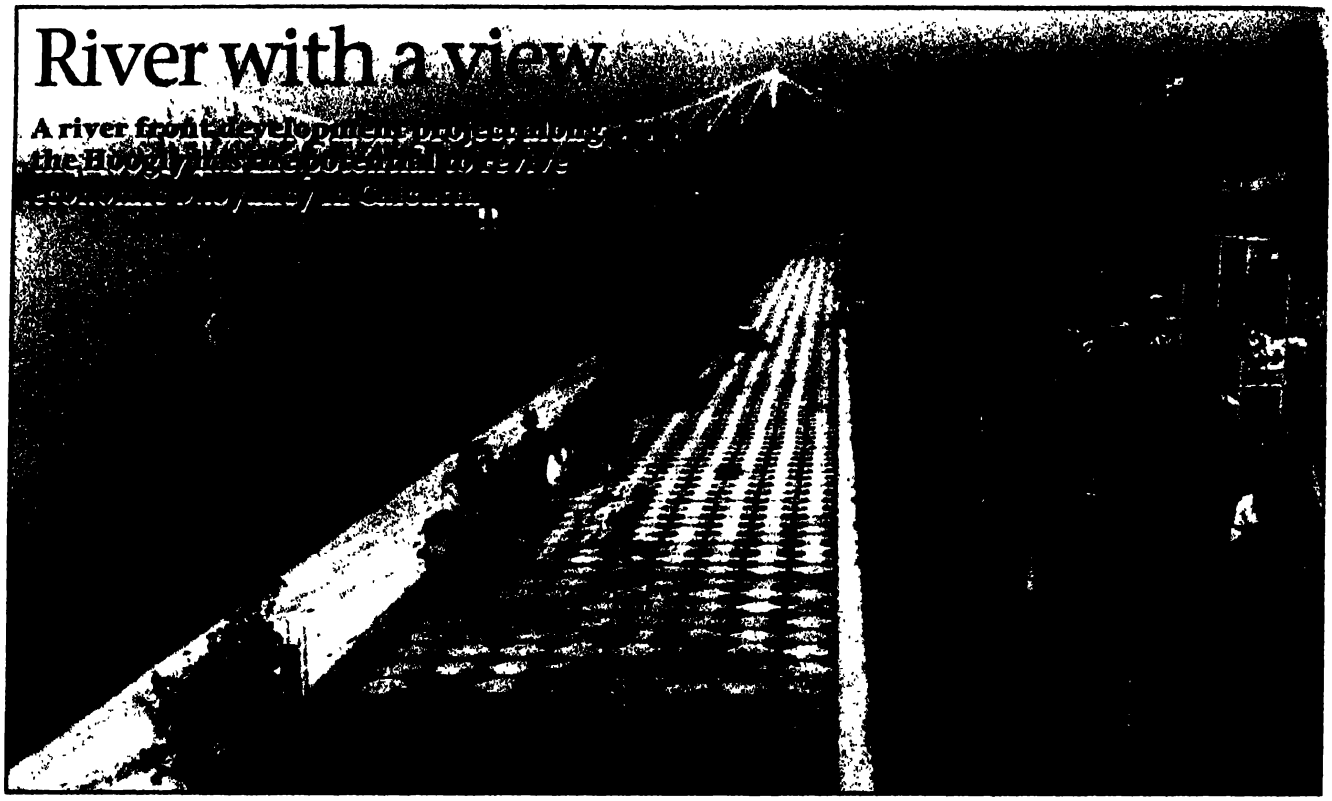
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River with a view



GOUTAM CHATTERJEE

Calcuttans are in for a renewed spell of colonial nostalgia. A beautification plan on the east bank of Hoogly will give Calcutta its own Thames-type river front by 1 January 2000.

Under the plan, now under implementation by the Calcutta Metropolitan Development Authority (CMDA), the city's river front between Silver Jetty and Fairlie Place will get a major face-lift. Fountains, small children's parks, kiosks, and pedestrian promenade along with resting plazas, a lot of greenery and also an amphitheatre with 400 seats – the Hoogly never saw so much excitement.

According to R.K. Pradhan, chief executive officer of CMDA, the plan is progressing well on schedule and the site will be ready for public entry on the first day of January 2000.

Starting from June this year, CMDA has been developing the 750-metre stretch of the city's river front which lies adjacent to Calcutta's central business districts of B.B.D. Bag and Burrabazar. So far, 400 saplings have been planted along this stretch. There's more. Two other stretches have also been identified for subsequent development. Together, they will cover 1,400 metres of land along the Hoogly. The second stretch, which will be taken up by Coal India Ltd, will cover a total area of 400 metres.

So far, CMDA has been managing the project with its own money. But some enthusiastic Calcuttans have come forward with help to make this a "real success". Smita Bajoria, managing director of Heritage Trust and Finance, has gathered a good many other responsible citizens of Calcutta to form the National Trust for Development. The trust has been approaching the city's corporates for sponsorships. "We have got Tata Steel to sponsor the two gates on both sides, Baidyanath to sponsor an ayurvedic park an so on," says Bajoria.

According to Bajoria, the trust has got commitment for Rs55 lakh which is much below her expectations. "Many companies are unwilling to divert even a small part of their TV ad budgets to this," she complains. One Rs75-lakh project for a musical fountain is still awaiting corporate support. And added to this is the general industrial decline in the state. "There are very few big corporates in the city to be approached," says Bajoria.

However, some public sector companies have come forward to help CMDA in the project. While Coal India has agreed to develop one entire stretch on its own, there are a few others. According to Pradhan, ONGC has offered Rs2.40 lakh to put up structures for children to play, while the Indian Oil Corporation has offered to fund two fountains for Rs5 lakh.

CMDA's plan for developing Calcutta's river front had been hanging fire for some time. In the early '90s, this nodal agency, which is responsible for civic developments within the Calcutta metropolitan area, drew up a concept plan for both banks of the Hoogly river. But the plan never got off the drawing board as CPT, which owns most of the river front lands, had certain reservations. Besides, most the properties and lands here have old occupants. The CMDA chief is, however, happy that both the problems are gradually being resolved.

City planners point out that a majority of the godowns on the river front have been lying unused for years. "There are rows and rows of warehouse in the port area which are never utilised since cargo handling at Calcutta por

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has gone down," says one such planner.

The river front on the Calcutta side stretches over 114 acres. It has a number of jetties, buildings and other properties owned by the CPT, cremation and bathing *ghats*, railway tracks as well as open space roads and pathways. The 543-acre river front on the west bank in Howrah is also full of jetties, *ghats* and dilapidated structures. Over the past many decades, the river has been used for water transport of both goods and commuters. "But the banks have indeed turned into the backyard of the city because of the absence of any planned land use programme," Pradhan asserts.

The CMDA's latest scheme envisages redevelopment of the entire river front on both the Calcutta and Howrah side. And the beautification part is only the beginning. Other schemes on the anvil include construction of an alternative north-south corridor in both banks for easing traffic flow and to encourage future urban development in these areas.

The British Deputy High Commission in Calcutta also helped the CMDA draw up the beautification plan. "Since London has done an identical job along the banks of the Thames, their experts can guide us the best," says Pradhan. There will be a lot of environmental issues, including preservation of heritage properties and so on, which will require expert advice. In January or early February, British experts from the London River Association are expected to come down to the city for a workshop on the subject. "We are trying to involve the various chambers of commerce and environmental groups in the exercise," says Pradhan.

Future perfect

At present prices, the entire project will cost at least Rs1,000 crore. The CMDA chief is hopeful that once the plan is put in right perspective, there would not be any shortage of funds. "We will be floating tenders for different projects and we hope even overseas companies will respond and participate in different projects," he says.

Calcutta has been one of the few Indian cities to have such a wide river front. And the city planners ar convinced that with a little bit c thoughtfulness and planning, this ca be put to the best use for economi gains. According to the chief executiv of the CMDA, land prices on the Easten Metropolitan Bypass have been gradu ally appreciating since the four-lan roads in the area came up. "There is n reason why this will not happen on th river front once the basic infrastructure there is improved," says Pradhan.

It may be noted that for supporting Howrah's development, there has been a recent plan to construct a Grand Foreshore Road on the riverside in Howrah. "The four-lane road will facilitate traffic flow to and from the second Hoogly bridge and I don't foresee any problem in raising Rs40 crore for it either," Pradhan concludes.

As of today, London's Canary Wharf, as the river front is called after development, has emerged as the pivotal point for business and commercial activity. Can the river front development bring fresh luck for Calcutta too?

• KAVERI MITTRA

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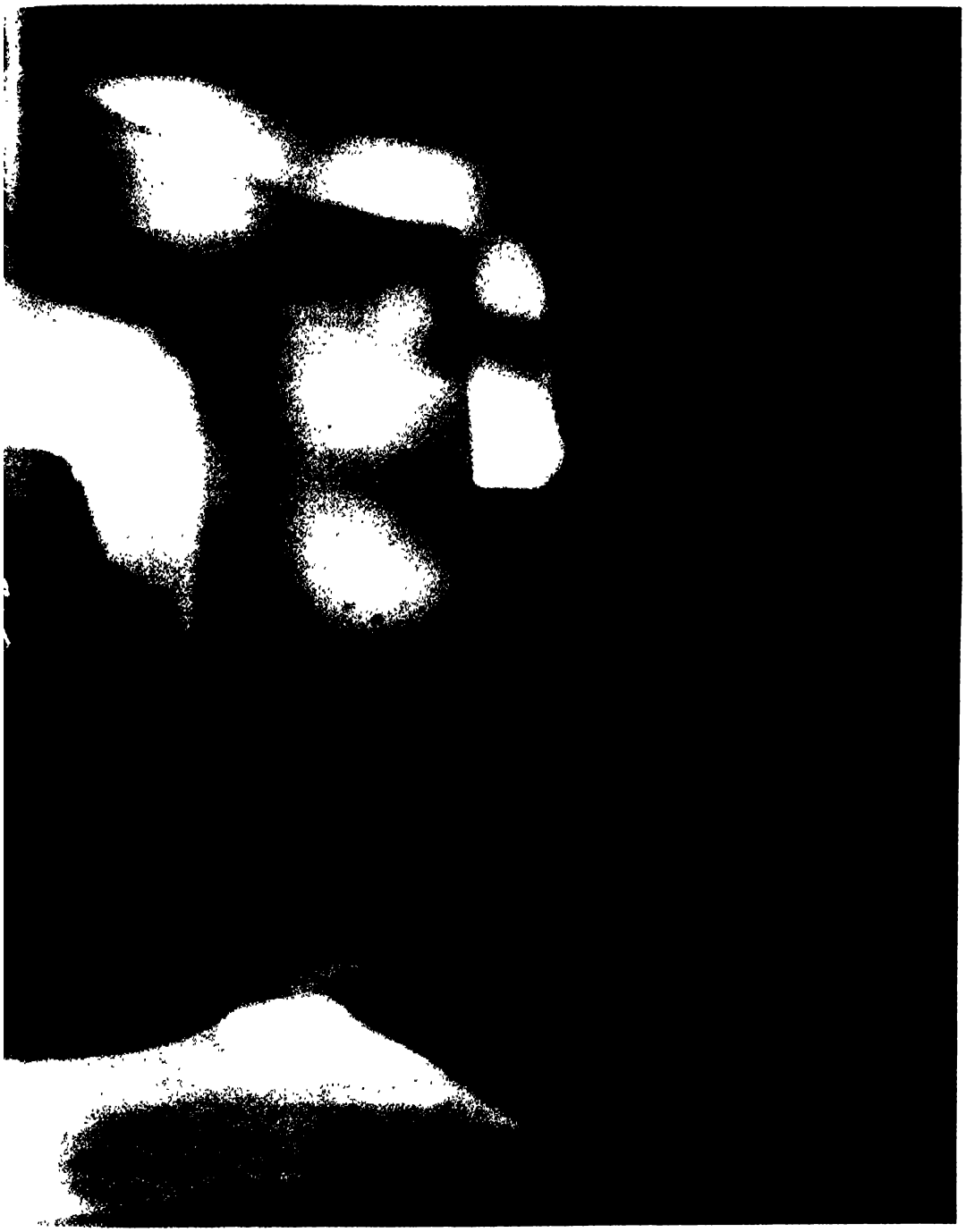
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Plying ahead, smoothly



PHOTOS: SAMAL BOSE

A casual browse through century-ply.com will throw up a whole lot of adjectives on the computer screen — borer proof, termite resistant and 100 per cent boiling water proof. Yes, all these are qualities that Century Plyboards (I) Ltd (CPIL) claims to be present in its diverse product range. As of now its product range includes commercial, marine, concrete shuttering, and decorative plyboards. For a casual browser, however, such features in plywood sound too unreal to be true. How can ply, of all things, be free of borer or termite?

Traditionally, Indians have been wary of plywood which, they feel, is vulnerable to attacks from termite or borer. For Sajjan Bhajanka and Sanjay Agarwal, the two promoters of CPIL, countering such a feeling on the part of potential customers was a major task. "How could we convince people to buy our products unless we were 100 per cent sure of our quality?" asks Bhajanka (48), a commerce graduate. He has paid particular attention to the technical soundness of the company's products. And while he spends most of his time on the shopfloor trying to improve Century's quality image, Agarwal (39) scouts around the markets like a salesman.

Thirteen years ago, Bhajanka and Agarwal joined hands to float CPIL. In the early 1980s, they were both going about their own business — the former making veneer and plyboards in some north-eastern towns and the latter selling panel doors in Calcutta. But the two had big-time dreams. That's when Bhajanka approached Agarwal to buy some plywood manufacturing machine for his proposed Calcutta unit. Eventually, common interests brought them closer, and they agreed to become business partners.

Since then the duo hasn't looked back. CPIL has managed to average in excess of 30 per cent growth rate in turnover. In the year ended 31 March 1999, CPIL's turnover of Rs64.65 crore was 48 per cent higher than the previous year's figures. Pre-tax profit stood at Rs5.7 crore. Encouraged by sales of Rs42 crore in the first half of the current year, Bhajanka and Agarwal have set their millennium target at Rs100 crore. According to Agarwal, second-half sales are always much higher because of the festive season.

CPIL has been a technology-driven company. Says Bhajanka, "We do rigorous R&D and also sign up technical collaborations with experts both within and outside the country. This helps us to overcome any quality problem that we face in plywood." Bhajanka, who is the managing director of the company, is happy that till now CPIL has managed to attend to every problem typical of plywood.

Even some years after the termite resistant quality in plywood was developed, people still had doubts about the claim that it was 100 per cent safe because, the other killer – borer – was still very much a threat. This threw a major challenge before the CPIL team to work out some way of protection from borer. Borers, as Bhajanka points out, lay eggs in dead logs and even after those logs are made into plywood, the eggs survive. Eventually, their larvae grow on wood cellulose and for food they bore or tunnel from inside, ruining the wood completely.

However, in the 1990s, Western researchers developed borer repellent compounds which, once injected into plywood, made it borer-free for a long time. So Bhajanka went shopping in the global market for the right anti-borer technology. After two years of scrutiny, he identified Dow Agro Science, an American company based in Indianapolis which manufactures the borer proof chemical. The anti-borer technology had been patented in the US and had proven effective in many other countries in Europe.

"Yet there was a lot to be done in-house in terms of adapting the technology to Indian conditions," Bhajanka recalls. At their R&D lab in the Amtala factory near Calcutta, CPIL's technical experts experimented with the mixed line application till it was perfected for Indian conditions. "The American technology was highly mechanised, whereas in our factory in India there is a lot of manual operation. This called for some modifications and alterations," he explains. The anti-borer organo phosphorus chemical used in the process is distributed by De-Nocil, the Indian subsidiary of Dow Agro. For some time now, CPIL has been acting as De-Nocil's sales agent for this chemical in India.

Century's guarantee for its ply, offered in the beginning of 1999, was a major breakthrough in the Indian plywood industry. But the success created fresh problems. India Plywood Manufacturing Company Ltd, one of CPIL's competitors, lodged a complaint with the Advertising Council of India (ASCI) saying that

was misleading "unwary omers" through its advertisement borer-free product. CPIL retorted by ng a law suit before the Bombay gh Court against all "malicious paganda". For some time, a divi- n bench of the Bombay High Court l imposed a stay order on all such (nturyply advertisements. But f ally, in early October 1999, the or ler was vacated, and CPIL could go al ad with its anti-borer ad campaign.

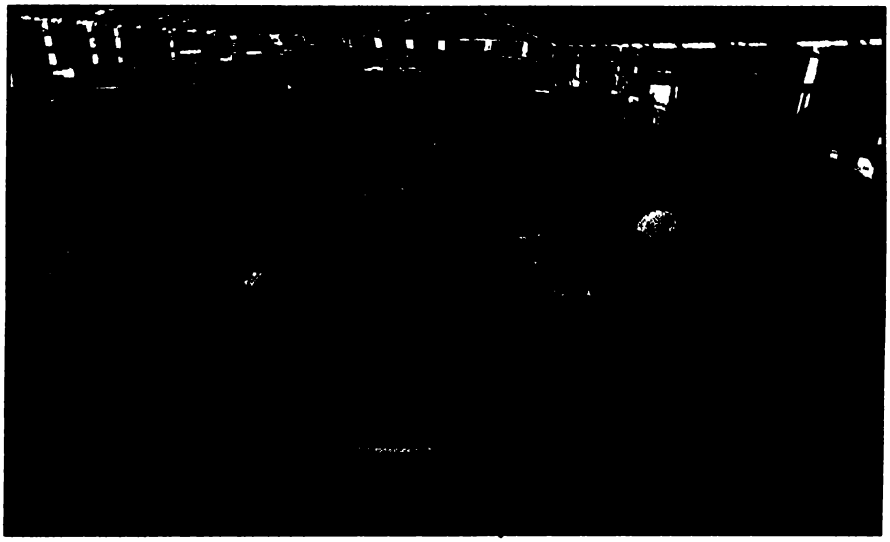
With a strong R&D base, CPIL has b en the pioneer of many other tech- nologies too. The latest in a series has been the 100 per cent boiling water resistant (BWR) plywood. Till the other day, decorative plywood was available in the cold water resistant (CWR) grade only because the glue used in making BWR plywood was usually phenol formaldehyde. This had a tendency to leave stains on the panel, making it unsuitable for decorative purposes. But CPIL, in association with the Indian Plywood Industries Research and Training Institute (IPIRTI), has introduced melamine-based glue which is both water-proof and stain- free. According to Bhajanka, this new CPIL product has all other features of its plyboards in addition to being boil- ing water proof.

In 1995, CPIL became the first ISO 9002 company in India's plywood industry. Arunachal Plywood, another premium player, got the certificate soon after, but CPIL has maintained its distinction of being the only one with this certification for both veneer and plywood manufacturing. Every six months there is an elaborate ISO surveillance audit of every stage of its manufacturing including raw material.

In recent years, India's plywood industry has gone through major changes. In 1997, the Supreme Court passed an order banning felling of trees in the North-east. This forced the industry to fall back on producers who made bad quality products and crowded the wood-starved market. In most cases, these mushrooming units used illegally felled timber, most of which rot with fungus. Yet they have managed to eat up a considerable portion of the big companies' market- share.

What has helped CPIL stay ahead of all this is its forward planning. During the past few years, the company has managed to position itself at the top end of the market with premium products. Out of its total production of 15,000 sq metre per day, 13,000 sq metre is premium production. With their own veneer production, they can guarantee the quality of their ply better than anybody else.

In a way luck has also favoured the two promoters of CPIL. In 1997, the Union government raised duty on veneer import to 22 per cent from 12 per cent. CPIL promptly raised its veneer production. "This fetched very good money for us," Bhajanka recalls.



Century Ply's plants produce some of the most popular plyboard brands

CPIL's marketing strategy has been remarkably different from its competitors. "In India, plywood is still considered a commodity," says Agarwal. "But customers of our kind of plywood are extremely knowledgeable and they know what exactly they need. So we have to tell them specifically about what we have to offer," he says. Agarwal, who is the deputy managing director, has a 200-strong marketing team and a 1,000-strong network of dealers to sell his products all over India. Undoubtedly, they have come a long way from the one-man marketing division in 1994. "At that time our sales turnover ranged between Rs13 crore and Rs14 crore," Agarwal reminisces.

In marketing, CPIL's traditional prime areas have been in the two western states of Maharashtra and Gujarat. But Agarwal is pushing his sales team hard to explore new cities in every part of India. "As part of our present marketing strategy, we are aiming at all district headquarters and big towns with over 2 lakh population," he explains. At present, CPIL has been recruiting marketing executives with experience in selling fast moving consumer goods.

CPIL's marketing thrust has led it to set up a full-time customer care cell (CCC) in Mumbai. Agarwal claims that the response from customers has been welcome and more than 90 per cent of the complaints received so far have been attended to. "CCC will soon be extended to Calcutta and Chennai also," he says.

Agarwal's marketing thrust is to now take Century into newer areas. It has started marketing adhesives under the brand name Century SH, to start with in Gujarat. "We have got ORG-Marg to study the market for us and we hope to capture a big marketshare, maybe only after Fevicol," says Agarwal. By December 2000, they hope to sell 500 tonnes per month of adhesives, adding Rs50 crore to their annual turnover. And at that point they intend to set up their own manufacturing plant.

As of now, CPIL is still in its teens and has a long way to go. But Bhajanka and Agarwal are pretty confident of steering Century to greater heights in the next millennium.

• KAVERI MITTRA

Aiming for the moon

Chandamama, which folded up last year, wants to reclaim past glory in a vastly changed toon-eat-toon world



T S RAMESH

Viswanath is preparing for the birth of Chandamama *in a new* avatar

Chandamama, the children's magazine, is making a comeback! Few can forget that text-book sized and shaped magazine so full of Indian folklore and historical accounts. Last year, after putting up a brave fight against the invasion of the idiot box in its market, the founder promoters of *Chandamama*, the B. Nagi Reddy family, folded shop. Labour problems had got the better of all their efforts to survive. Around the time, the promoters also found their names dragged into a financial scam, and there were talks of their having run up huge debts.

But all that is now so much water under the bridge, with financial majors such as Morgan Stanley, hdfc and Tata Finance, along with others, picking up a 60 per cent stake in the new corporatised Chandamama India Ltd (CIL).

Originally, the house of Chandamama published 33 periodicals, including 12 language editions of *Chandamama*. During the one year of closure, almost all were discontinued. The new company, CIL, will now bring out only the 12 language editions of *Chandamama*.

After a year's break, the December issue is hitting the stands with four lakh copies. At the time of closure the magazine had a 5.5 lakh circulation. The 52-year-old magazine's fading from memory is being blamed, in part, on some amount of mismanagement. "Problems were festering in the circulation department, which were not attended too. Slowly, the smaller agents stopped picking up the magazine. In time, the number of agents dealing with *Chandamama* shrunk from 5,000 to 3,500," say sources.

At its peak in the late 1980s, the company was selling nine lakh copies. One of the major reasons for *Chandamama's* woes, was the rising cost of newsprint, which led to increase in the magazine's price — from Rs2 to eventually Rs6. "In a highly price sensitive market, there was reaction to even a 50 paise change," points out editor of 50 years, Viswanath Reddy.

Also, with rising costs, around the 1970s, the company had to downscale the production quality. From an art paper cover and glazed paper pages, the magazine degenerated into regular newsprint. Its experiments with certain languages, outside the current 12, also boomeranged.

However, in the early 1990s, the publishing house was still reporting a margin of Rs50 lakh per annum. Midway through the decade, the company was reduced to barely breaking even. "We were not margin oriented so we could keep going," Reddy remarks. He blames the intra-union skirmishes for the company's ultimate undoing.

Evidently, a lot of introspection has gone into the revival of the magazine. The three-member board, comprising Reddy (as the MD), Vinod Sethi, the Morgan Stanley fund manager, and Sudhir Rao, director of Karvy Consultants (the other investor), have been keen to professionalise the organisational structure. Consequently, V. Mahusudhan from Sony, was hired as director, marketing and sales.

While Manoj Das will continue as the magazine's content director, Hyderabad-based animation professional, Uttam Kumar, will aid the ambitious plan of putting the magazine on the Web, producing cartoon shows for television, bringing out CD-ROMs and computer games. Also on the cards is the production of television serials, courtesy the Reddy family's connections with the film industry and the Vijay Vauhini Studios; and entry into event management.

The Rs5 crore being brought in, will go into clearing existing liabilities of Rs3 crore, and purchasing the brand-name from the promoting Reddy family for Rs2 crore. The Rs2 crore that the Reddy family will receive, will be their contribution to equity.

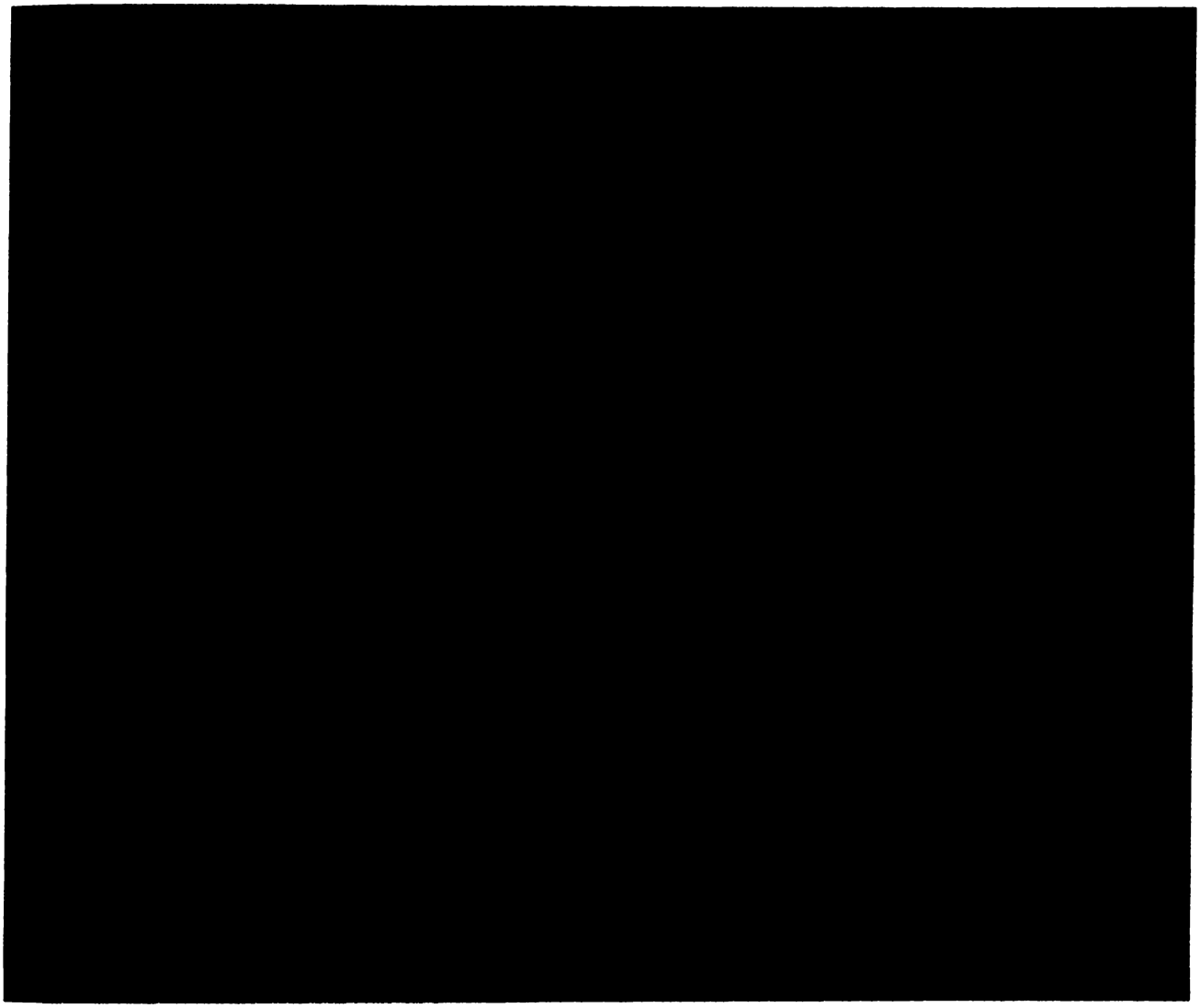
The new company will focus on circulation reconnecting with the existing 3,500 agent network. The new magazine, priced at Rs10, is hoping to eventually touch a one million circulation figure. "The costs will come down by at least 40 per cent once we start printing in our own press," says Reddy. The golden handshake under way, with the earlier set of press workers, is a step in this direction.

Chandamama's revival has been welcomed by its readers. Many other readers are keen to see that even *Amar Chitra Katha* revives.

• SANCHITA D S

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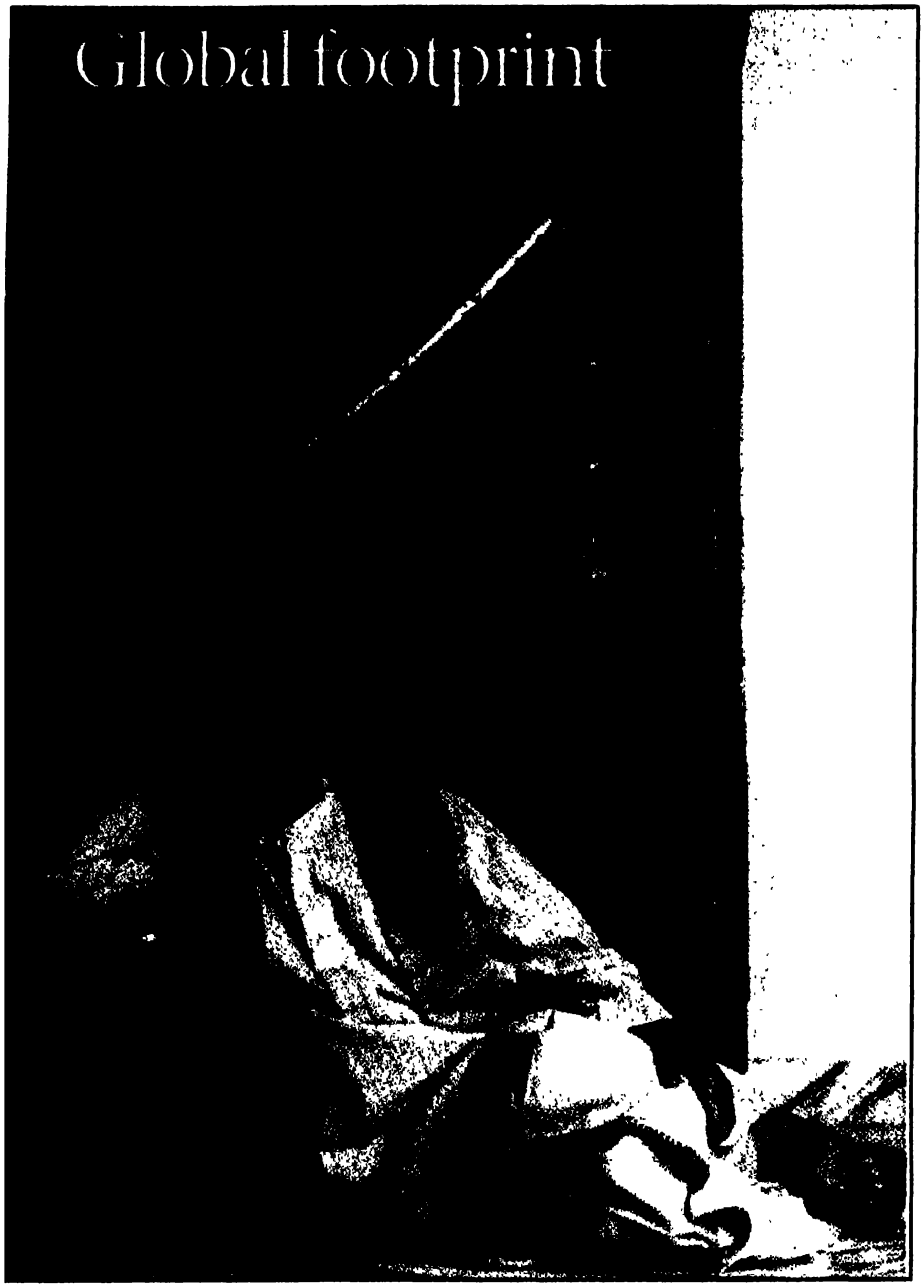
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PALASHRANJAN BHAUMICK

Subhash Chandra is, along with Craig McCaw, taking over the beleaguered satphone major ICO-Global. Will this move lead to the emergence of Indian corporate stalkers in global business?

In satellite jargon, Subhash Chandra created a global footprint for himself and Indian business acumen, by his successful bid to take over ICO-Global along with the North American maverick Craig McCaw. Together, they will control 74 per cent (38:62 ratio) by providing the much-needed lifeline of $1.2 billion to ICO by April 2000.

Chandra hit the headlines in the last half of November as news of his bid leaked. Some thought it to be a publicity stunt, while others an effort to boost Zee's stock price. This cynicism was not unfounded. Firstly, Chandra is known as a successful broadcaster only in this part of the world. He spread his network to Europe, Africa and the US, only recently. His five-year-old foray into a satellite system based on a geostationary satellite, is still to achieve financial closure. However, the induction of Ja Singh a year back as CEO of ASC Enter prises and the Agrani project, ha boosted the chances of success o Chandra's satellite venture. Singh ha a distinguished track record as execu tive vice-president at ICO and earlier a Inmarsat and Isro. But no one could dream that Chandra was capable o bidding for a global hi-tech corpora tion, that too, rivalling McCaw's bid.

McCaw is globally known as a major technology entrepreneur who has made successes of several such bets. McCaw, who joined a small family business of cable TV at the age of 18 in Seattle, built it up into a cable major and sold it off for about $800 million in the early 1980s. He then pioneered cellular telephony in the US. McCaw cellular was acquired by AT&T for $5 billion and then he switched his attention to the Internet. He conceived the futuristic Teledesic system costing $9 billion in 1990. Teledesic is designed to provide broad band Internet access any where in the world by 2004 AD using a very large number of low earth orbiting satellites. At the last count the system consisted of 288 satellites. Primary investors in teledesic are McCaw, Bill Gates, Motorola, Saudi Prince Alwaleed Bin Talal and Boeing. Those who were sceptical about Chandra's bid did have a basis.

Some might question the wisdom of putting money in the global sat phone business when Iridium is up the creek without a paddle, unless the US Department of Defence, being its largest customer, bails it out. Already nearly $120 million invested by Indian institutions in Iridium has more or less gone down the drain. In fact, the company has not been able to service the $1.6 billion debt as envisaged in its business plan. To protect itself from the creditors foreclosing their loans while it attempts to put together a bailout package, Iridium was forced to go into Chapter 11 proceedings in a US court. The Chapter 11 proceedings under the US bankruptcy laws provide breathing time for a company facing bankruptcy. However, there does not seem to be any suitor for Iridium at the moment.

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ce: *IDC figures'99 (49.6% of the network-operating systems sold last year were Windows NT Servers); *PC Quest Users' Choice Awards'99; *PC World Techies (Readers' Choice) Awards; *Computer
igence Inc., May 1998.

Today, even a white knight has to contend with the fact that Iridium's satellites will soon need replenishing as they have a short life of only five years, and half of it is already over.

The problems faced by ICO are of a different character. ICO put together a package of $2.9 billion with a debt component of only $600 million. By the time it sought to raise the second tranche of debt, it got caught in a buffeting market, the instability of which was caused by Iridium's problems. Since orders for equipment had already been placed for both the space and ground segments with Hughes and NEC respectively and delivery had begun, ICO did not want its vendors (who have provided suppliers' credit) to start applying pressure. As abundant caution it voluntarily went into Chapter 11 proceedings in a Delaware court. The important point is that the problems are not caused by ICO's business plan going haywire but by problems in raising the requisite finance to complete the project.

Many observers feel that the cost structures of the project, which is based on 10 satellites (and two more as back-up) orbiting at a height of about 10,390 km altitude, is sustainable despite the reverses suffered by Iridium. For example, security analysts at Dresdner Kleinwert Benson believe that "ICO offers the lowest cost per minute technology in global sat phone systems". The satellites are simpler in design as they are of the "bent pipe" variety. They just reflect the signals sent to them and do not carry out major onboard processing, as in Iridium. Thus, the ICO system is easier to maintain and to upgrade, as most operations are done on the ground. The satellite life is designed for a minimum of 12 years, as against 5 and 7.5 for Iridium and Globalstar respectively. Most importantly, for a new investor, the satellites will be brand new, as the first one is to be launched in February 2000, by Boeing's Sea Launch.

Despite all these strong points, the market did not respond to ICO's attempted rights issue during the summer of 1999. So when ICO sought Chapter 11 protection, Craig McCaw stepped in with his rescue package. He was not alone. Independently, Chandra, Inmarsat and Hong Kong's Richard Lee of Hutchinson fame, also



HARSH MAN RAI

Jai Singh played the éminence grise

put in their bids. On 30 October, when ICO's board considered the bids, Inmarsat and Lee dropped out and only McCaw and Chandra were left in the field. Then competition started between the two, on who will offer more to the existing investors in ICO. It can be recalled that India's VSNL has invested $150 million in ICO. The well-known firm, Donaldson Lurfkin & Jenrette, and a team from Agrani, had been carrying out due diligence on Chandra's behalf. On 3 December, the court in Delaware, US, was to weigh the two options. But several unnamed friends of McCaw and Chandra saw complimentarity in the two strategies and advised them to get together.

What followed reads more like a paperback. The mating game began with a long telephone conversation between McCaw and Chandra followed by a breakfast meeting on 1 December, between senior executives from both sides, in London. Jai Singh, CEO of Agrani and Russell Daggatt, vice-chairman of Teledesic, are believed to have led the teams. The fare served by both sides was tasty enough to extend the meeting into several hours as they brainstormed and cobbled together a proposal behind the proverbial 'paper napkin'

Now it was time for the principals to meet and take the final decision. The next day, a meeting was fixed in a well-known hotel in New York. Chandra, who was informed of the same around midnight of 1 December, caught a flight from Delhi to London on the run, and switched to a connecting Concorde flight to New York. The two self-made billionaires hit off very well within minutes of meeting. McCaw played the host in an entire floor of the hotel reserved for the same, replete with Indian cuisine cooked for his guest. By the end of the day, barely hours before the court rose to hear the case in Delaware, an agreement in principle of a joint rescue bid was signed over a handshake. The executives burned the wires informing various interested parties of the new deal, including ICO officials, who were anxiously awaiting the next day's proceedings. The rest is history.

It may have all been in a day's work for McCaw, who is used to fast but shrewd corporate moves. For the Indian team, however, it was a new beginning. We in India have only recently been getting used to the exploits of Lakshmi Mittal. Now, homegrown Chandra has been added to the folklore.

Investments by Indian government into high-risk businesses like Iridium and ICO have come a cropper. It is best such initiatives are left to shrewd businessmen like Chandra while creating an enabling environment.

It is clear that the sooner capital account convertibility comes in, lesser will be the need to set up elaborate shell companies and become NRIs just to be part of the global business mainstream. Meanwhile, welcome the Indian. A global businessman, of the new millennium.

◆ SHIVANAND KANAVI

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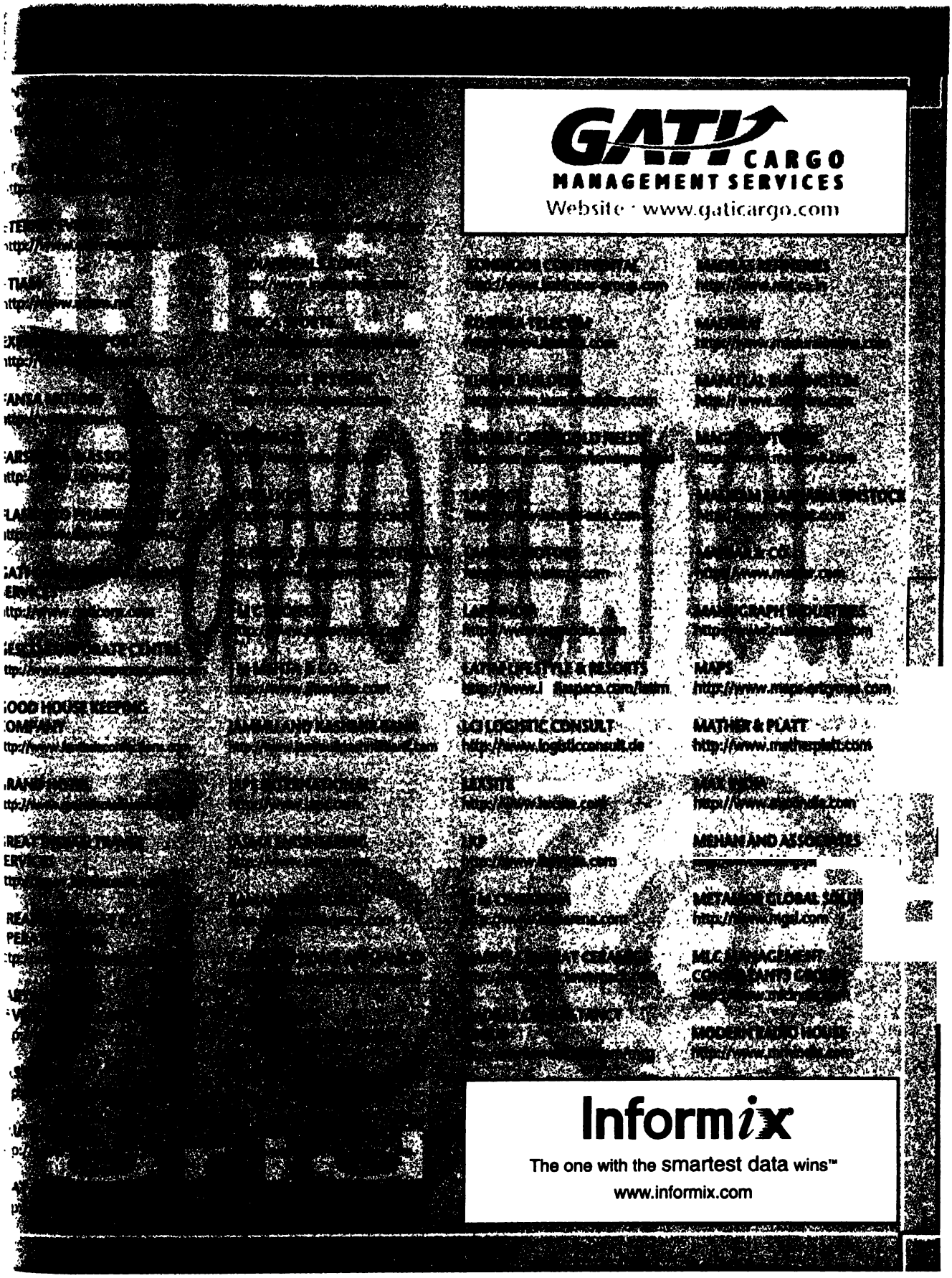
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SAJAL BOSE

Chakravarti is proud of the products his team develops

A middle-class Bengali sitting in New Alipore and creating world-class software for an Irish company, is how a long-time friend describes Tirtha Chakravarti, managing director of the Calcutta-based Apex Comsoft India. Chakravarti, who left the Dublin-headquartered Apex Software Systems Ltd in 1996 after four years as its country manager for the UK to return to India as director, ERP implementation, at Coopers & Lybrand and then returned to Apex to set up its Indian operation last year, concurs. "We make world-class products here," he says.

Chakravarti is particularly proud of the Apex Personal Tax package for the 1998-99 Irish tax returns, which was entirely developed in India. Launched in Dublin and Cork in July 1999, the product generated so much interest that additional demonstrations had to be organised. Combining the best features of the existing tax packages with innovation to create what the company calls 'the most comprehensive personal tax package currently available on the market', it is capable of converting tax information from existing packages, and offers an optional link to the older Apex for Windows Accounts Production.

"Writing such software sitting here, incorporating all the complex regulations of another country's tax laws, is no piece of cake," says Chakravarti. "But we have managed it. Next, we are working on an income-tax package for the UK." Another new product which was totally developed by his 23-member team is Apex Time & Fees, a user-friendly system with comprehensive on-line help for fast data entry, which the company describes as 'a vital addition to the management function of any practice'. Linked to Microsoft Office, this product too is fully integrated with Apex Accounts Production and the company's suite of tax products.

The 15-year-old Irish parent company, the fourth largest vendor to the accountancy profession in the world, has a global strength of over 150 professionals contributing to sales of £1.3 million sterling and a profit of £350,000 in 1998. Its acquisition of the Manchester-based IBIS Business systems for £2.6 million early this year will double turnover to over £5 million while profits are projected to go up to £790,000. And by 2001, chairm. Bernard Donnelly hopes to achie. pre-tax profits of £5 million on turnover of £15 million.

"I was in Europe one day in 199 when the chairman telephoned a invited me to fly over to Ireland for drink," says Chakravarti. "It was th most important drink of my life' Donnelly offered him the opportuni of a lifetime: setting up a £1-millio Apex facility in India. The advantag of the operation is the ten-fold oppor tunity cost in Ireland. "In sterlin terms, a top programmer here get around £3,500 a year; but there, it i difficult to retain one for £19,000 because they move to bigger compa nies for £35,000," he says. A majo factor in India's favour, as opposed t China, is that the latter does not recog nise any copyrights. The downside, o course, is the usual list of problems unreliable power supply and tele phones, and a shortage of water, al of which he takes in his stride a the dyed-in-the-wool 'middle-clas Bengali' his friend calls him.

But Chakravarti is a British national, and a UK-qualified charterec accountant. Forsaking accountancy for PC-based computing in 1984 - coincidentally, the same year as Donnelly founded Apex – he worked at Solution 6 (UK) Ltd till 1986, and at Management Information Centre Ltd, the southern England dealers for Solution 6, for the next five years before his first stint with Apex.

Why did he pick Calcutta for his second innings? Because Bangalore and Pune, the Silicon Valleys of India, are both overcrowded, Chakravarti explains. So, with a free hand on specifications, he set up the operation, hired people, and went into production. "We make shrink-wrapped packages, and provide world-wide support," he points out. "Every call centre in the Apex world has to understand the software, in every language – the conformance to common standards needed is incredible!"

And the future? "Our chairman plans to get the company listed on Nasdaq in two years' time Chakravarti says. "And we'll be right up there."

• SEKHAR SESH

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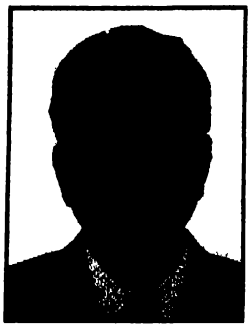


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ATUL NISHAR

The author is founder and chairman, Aptech and Hexaware

Net those gains

In the next millennium, the success of your business will depend on how well you exploit the Net

Change brings with it opportunity. An opportunity for businesses and entrepreneurs to leap into new dimensions of commerce and profitability. Nothing has ever symbolised change so drastically and vividly as e-commerce has. Will you make the glorious leap into the new heights of cyberspace, or find your world coming crashing down all around you?

The first step is to open your eyes wide to the change. Indications of its sweeping nature are everywhere: the sprouting of dozens of online shopping sites in India, like Rediff and Indishop; the rapidly increasing number of Internet service providers (ISPs) and Net users (it looks like the "five million Net users in India by 2003" estimate by IDC India will now easily be surpassed); the imminent ratification of the cyber laws by the government; the intention of the Securities and Exchange Board of India (Sebi) to permit online trading of stocks and shares from the year 2000; the streamlining of procedures to enable secure and smooth use of credit cards online.

It would be disastrous to assume that doing business online is not for you. The benefits of creating an end-to-end Netted enterprise are manifold. And e-commerce is the logical culmination of this exercise. While not every type of business may immediately lend itself to business-to-consumer online transactions, there is absolutely no doubt that online interaction on the business-to-business front will become the norm within the next decade — so dramatic is the paradigm shift now taking place globally. Naturally, depending on the type of business, the proportion of traditional to online operation will differ; only rarely will it be 100 per cent of one or the other alone.

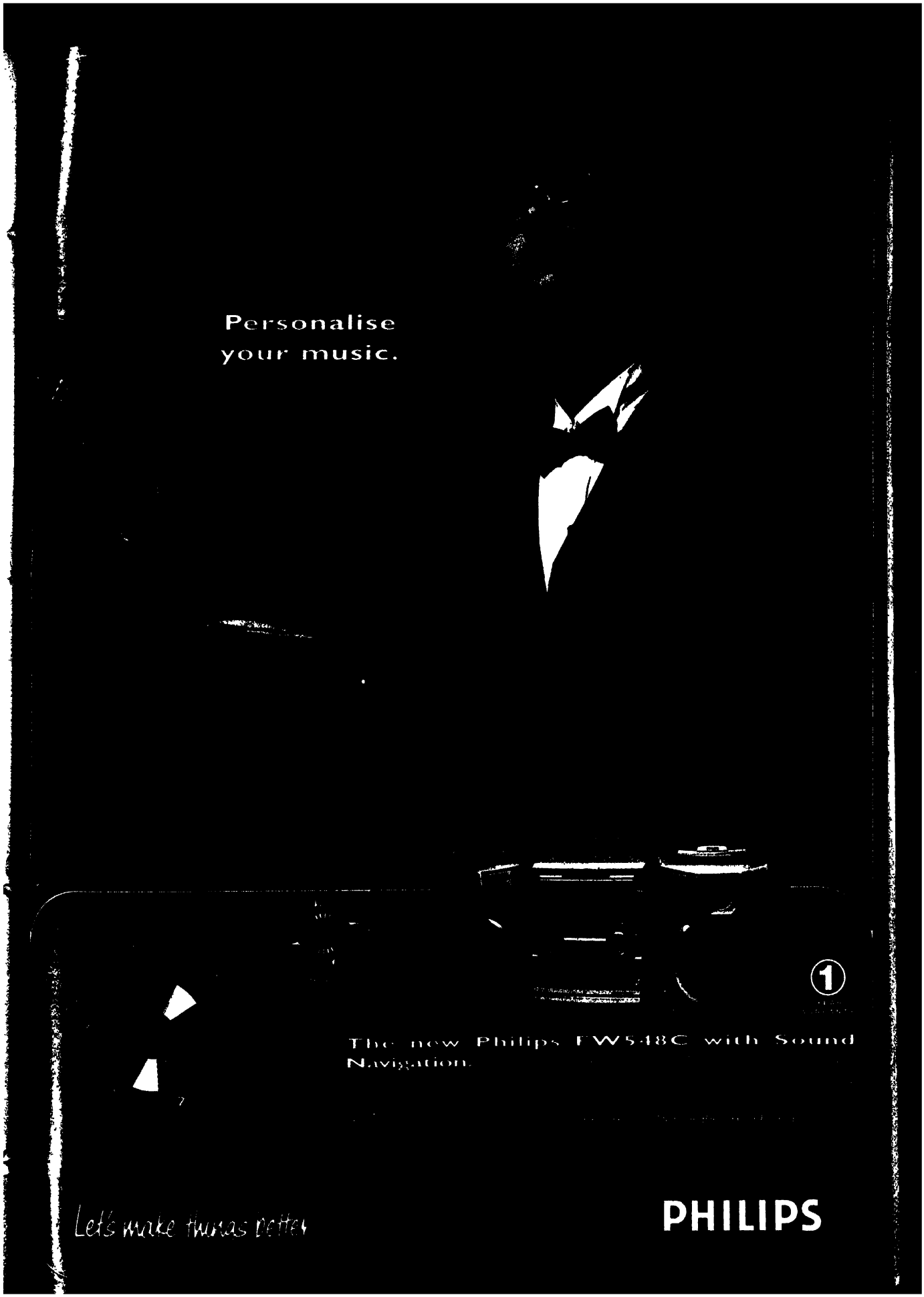
It would be disastrous to assume that doing business online is not for you. The benefits of creating an end-to-end Netted enterprise are manifold. And e-commerce is the logical culmination of this exercise

If you are not on the Net yourself, don't wait another minute. It is impossible to fully comprehend, and ridiculous to preach about, the marvels of cyberspace without experiencing them yourself and understanding the potential first-hand. This applies as much to the CEO as to the junior-most trainee executive. A PriceWaterhouseCoopers survey of CEOs in the US found that only one-third consider themselves Web-literate. One shudders to think what that figure might be in India. At a recent seminar, when asked if there was room for any more sites like Rediff on the Net in India, Rediff CEO Ajit Balakrishnan remarked, "Hundreds more, at least!" In fact, we have only just begun to seriously look at designing Web sites for Indians in India. There are many niches to be explored and hundreds of vacant slots to be filled. But the time to act is now. When it comes to business-to-consumer e-commerce, a first-mover advantage is priceless, as Rediff knows only too well.

In the Internet Age, power rests entirely with the customer — whether that customer is another organisation, an institution, or an individual consumer. One must remember that the competition is always just a mouse-click away, and if dissatisfied, the customer will invariably exercise his options and choices. Hence, complete customer satisfaction is what your focus must be and what your entire business operation must centre around. As Patricia Seybold advises in her best-selling classic *Customers.Com:* "Make it easy for customers to do business with you, and foster customer loyalty — that's the key to profitability in electronic commerce."

Cost savings from deploying intranets and extranets do occur in most cases. Returns may also be fairly tangible and rapid when it comes to business-to-business e-commerce. But online shopping sites addressing the consumer require extended periods of nurturing, building community and investing before they can be anywhere near profitable. If you are in it, you have to be prepared for the long-haul. The most talked-about online shopping Web site, Amazon.com, hasn't made a cent of profits yet; CEO Jeff Bezos says his business plan calls for heavy investment in the long-term — "10-plus" years.

E-engineering of your business will soon become a matter of survival, so the sooner you think of throwing out old business models and revamping operations for the Internet Age, the better will it be for your long-term sustenance and bottomline. Reinventing the business involves Net-centric thinking in areas ranging from internal operations, dealing with customers, interacting with employees and partners and also the supply chain. In the final analysis, it seems, it is how well you exploit the Internet and its capabilities that will determine the success of your business in the next millennium.


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Weaving an identity

A 40-year-old institution strives to keep Tibetan handicrafts alive in India



Their art keeps their nationality alive, helping them set up a home away from home. A range of traditional Tibetan handicrafts is thriving on Indian soil — in Darjeeling to be precise — as Tibetans seeking refuge from the Chinese rule back home express their identity through their art. Carpets, dolls, greeting cards, leather and woollen shoes — the list goes on.

"My mother felt very strongly that our people must maintain our culture and traditions," says Khedroob Thondup, president of the Tibetan Refugee Self Help Centre at Darjeeling and son of first-generation refugee Gyalo Thondup who set it up in October 1959 with just four workers. Surviving because of what he calls 'luck and pluck', the centre today has 650 workers, including over 200 children, and has earned a name for itself. In fact, the fine woollen carpets made at the centre have become quite popular.

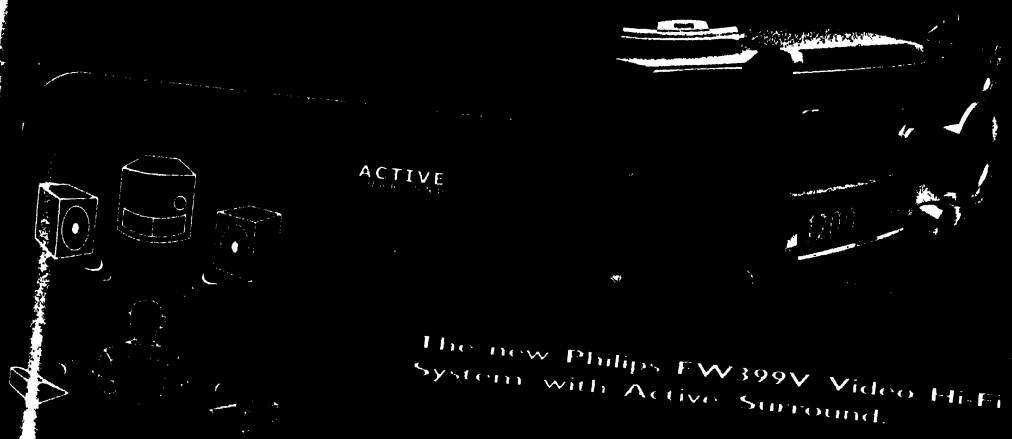
"We use only pure wool brought across the border from Tibet," says Sonam Dorji, a 20-year veteran at the centre and now its assistant secretary. "Our own people travel to Ladakh every year to make sure we don't compromise on quality, despite the expense and the hassle of a week-long round trip," he adds. This guaranteed quality, he says, makes for increased thickness — a 6x3 carpet made at the centre weighs 8 kg against 4.5-5 kg for other carpets available in the market. An additional advantage, of course, is the elimination of the middleman and the opportunity to bargain directly with the sheep farmers to get better prices. The same wool is also used to knit jackets, sweaters, ponchos and footwear.

Using only vegetable dyes because foreigners — who account for 70 per cent of sales — prefer natural shades, the carpet makers earn the centre nearly Rs50 lakh in foreign exchange every year. "Our entire carpet production for six to eight months every year has been pre-booked since 1976 by European buyers who sell them at shops in the continent," says Thondup.

Originally meant as just a place to rehabilitate refugees from Tibet, the centre occupies a 1.5 hectare plot at the site where the 13th Dalai Lama lived in exile from 1910 to 1912. Expanding its activities over the years, it has not only established a strong demand for its handicrafts, but has also trained over 2,000 artisans who now run their own enterprises in Darjeeling, Nepal and Bhutan as well as other parts of India including Maharashtra, Madhya Pradesh, Orissa and as far south as Karnataka — which has half a dozen Tibetan settlements.

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Tibetan hand-made shoes are immensely popular in the market

Never planned as a solely business concern, however, it ploughs back its profits into welfare, religious, medical, educational and leisure activities. The money is also used for the care of the 100-odd old and infirm people the centre houses in a building donated by Helpage India. The senior citizens are not only sheltered, clothed and fed, but also made to feel useful to the community by encouraging them to work at simple tasks like spinning, carding and wool sorting, for which they are paid.

"We are a very lucky group of people, the Indian government has given us political asylum and West Bengal has also helped us a lot," says Thondup, who is also a member of Parliament in the Tibetan people's government in exile. "But we must not forget that there are six million of our countrymen living under Chinese suppression; so I educate, even brainwash, the youngsters born and brought up here so that they don't forget that they are Tibetans."

But Thondup wants to go beyond handicrafts. The 40-odd staff at the centre's office in Darjeeling have been trained to use the computers and printing equipment he has installed at the office. Two Heidelberg offset presses which have replaced the old letterpress machine make the centre the only place in North Bengal to do high-quality colour printing. The centre gets quite a few jobs from other local printers also. "The younger people need skills if they don't want to continue to just make traditional handicrafts," he says. "They must do better than sell sweaters, so that one day, if we go back, they have something to do!" he explains. Thondup, who was personally anointed by the Dalai Lama to take over the centre when his mother died in 1986, is a graduate from the Delhi University and an MBA from the University of San Francisco. He runs a successful noodles business, while his brother Tanpa is a practising paediatrician.

"But 40 years is a long time," says Thondup. "It is high time we shed our refugee status, and started helping other people." So the centre has set up a 15-bed hospital, and provides subsidised medical facilities for disaster victims and other causes. And though it is an NGO, with Section 80G income-tax exemption for donations, "I hate to beg," he says. Hence the accent on the 'self-help' centre, which is totally self-sufficient and even pays pocket money to the children and elderly who live in the campus.

However, none of this would have been possible without the mainstay carpets business, thanks to which the centre is one of the biggest sales tax-payers in the area. "My mother pegged the price at $9 a square foot, which is still a good parameter because the rupee's value has fallen against the dollar," he says. To meet the increasing demand, the centre has now entered into an arrangement with another Tibetan settlement in a very remote area of southern Sikkim. "We farm out our spillover orders to them on a sub-contract basis," explains Dorji. "But we supply them our wool, and make sure they do the work according to our specifications. We are very particular about the quality," he adds. The centre is also into e-commerce in a big way, selling carpets increasingly on its website www.tibetan-carpets.com anyone?

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"The signals are all positive"

Clifton Desilva may not appear to be the jet-setting type. Nor is he flamboyant. But investment managers who know him have high regard for his acumen in identifying stocks. For a major part of his career spanning about two decades, Desilva was with the Tatas handling the investments division. Simultaneously, he used to express his views on capital markets and investments in various publications. About four years ago, he floated his own companies, Altina Securities and Altina Finance. Their activities comprise portfolio management, equity research and stockbroking. His PMS schemes have "translated into excellent returns even under adverse market conditions". In today's scenario of the markets being on the upswing, things should be even better. "Our vision has been to respond proactively to change and ensure best possible services and returns on a consistent basis," he says. Desilva spoke to **Roy Pinto** of *Business India* on the prospects for the stockmarket and avenues for investment



UMESH GOSWAMI

Q *What is your opinion on the current state of the stockmarket? Do you think that the valuations accorded to some sectors are crazy?*

A I'm pretty positive about the stockmarket. There may be intermittent corrections but the market has already embarked on its northward journey. I'm very bullish. Even though some of the valuations may seem very high they are bound to move up. The signals are very positive. The passing of the Insurance Bill recently is sending the right signal. Corporate India, which had begun a restructuring and consolidation exercise, is beginning to show results. Companies' performances are also encouraging and the promoters have realised the benefits of corporate governance. All these factors augur well for the stockmarket.

Q *Talking about valuations, especially those of the infotech sector, is there any basis for such high levels?*

A One must look at it from the viewpoint of what was the scene some years ago and what is likely to emerge in the years to come. Take the infotech industry. IT applications have touched every sphere of our lives. Whether it is hardware or software, IT is a formidable force of the future. One can expect good growth rates. The growth rates witnessed in the past may not be sustainable as we had started off from a very low or negligible base. Till we reach the critical mass, we will see good growth rates before they begin to steady. And selected IT stocks even at current levels appear good. But investors should be careful not to get carried away by the IT boom and jump at to the run-of-the-mill IT stocks.

Q *Since some of the good IT stocks now beyond the reach of small investo are there any other sectors where they find values?*

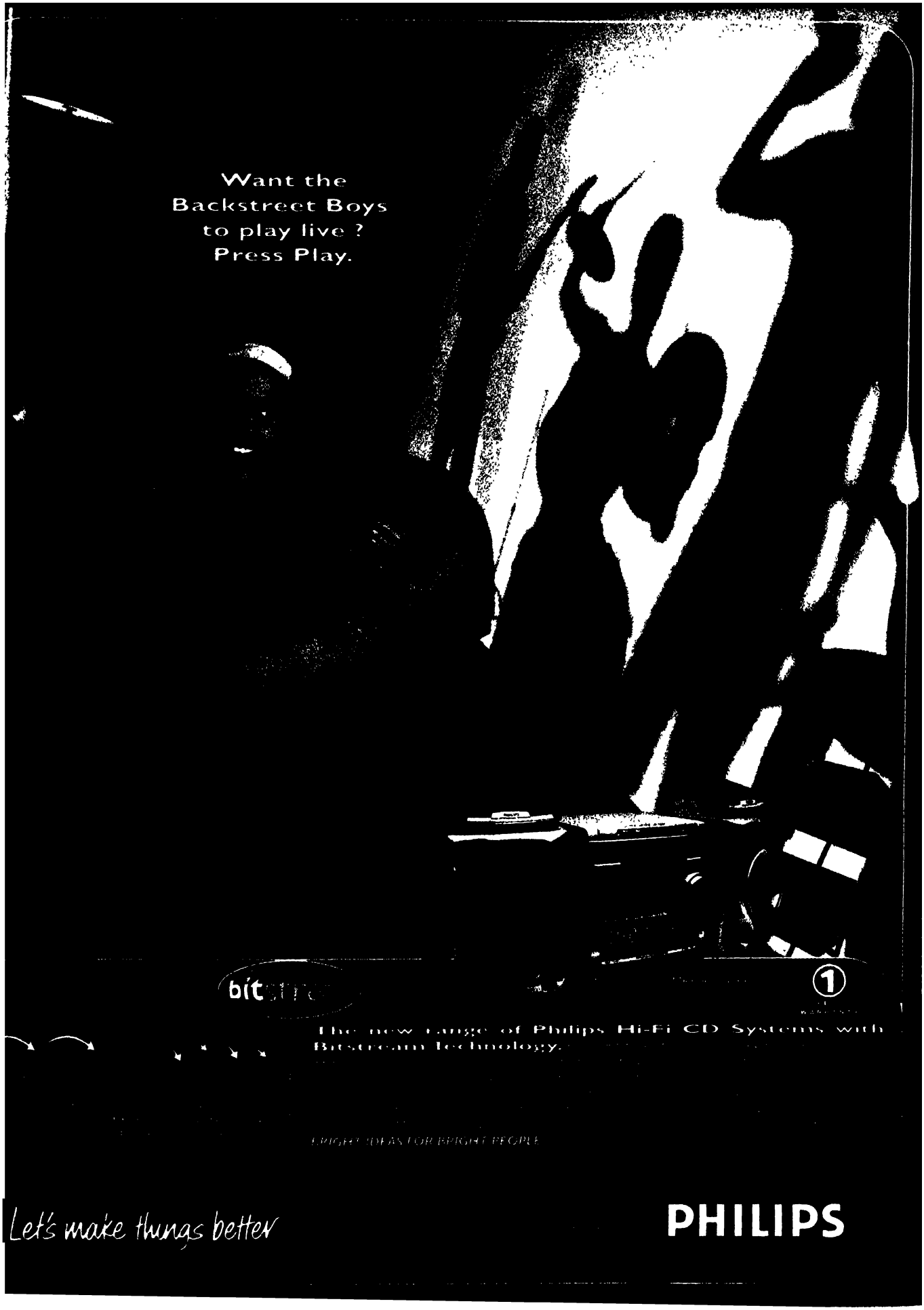
A Commodity stocks fluctuate on basis of demand and supply and thus not suitable for investors w have a long term horizon and unable to monitor the short term pr changes in the commodities. In fa these stocks are more suited to trad On the other hand, the long-te investor should consider investing stocks of fast moving consumer goo (FMCG), which have established bra values and hold a potential for go growth. In the past several years, sel stocks, especially of multinationals the FMCG segment, have giv handsome returns to investo Despite this, the sector has be underperforming. This is an id avenue for investors with a lor term perspective. There are go values available in this sector.

Q *Could you recommend some sto in this sector?*

A Leading FMCG companies su as Hindustan Lever, Procter Gamble, Indian Shaving Produc Cadbury's, Britannia, and Smith line Beecham Consumer Healt care are good long-term be Reckitt & Colman has been in t restructuring mode and Colga which had turned complace over the years, has reorient its business, and, in all likelihoo will regain its past glory. FMC stocks with powerful brands ho good investment opportuni These companies are bra leaders in their respective busine areas and their strong brands a value.

Q *Are there any other random pick*

A I also fancy the telecom sect Here, Global Telesystems is good stock. The reorientation in ter of pursuing telecommmunicatio compared to what the company w dabbling in hitherto, augurs well f the company's future. In IT, the educ tion segment company, NIIT, is a ve good investment.


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Seeds of prosperity

It seems to have begun flowering. Nath Seeds Ltd (NSL) is likely to see its bottomline double from Rs2.28 crore for the year ended December 1998. Sales for the nine months to September 1999 were Rs45 crore and post-tax profit Rs4.41 crore. Although the topline has grown rather slower, the net profit margin has been moving at 8.6 per cent. "During the last three years we have been in taxiing mode. Now we are ready to take off," chairman Nandkishor Kagliwal explains.



Fuelled by R&D and exports, Kagliwal is ready to take off

What does Kagliwal mean? "Unlike in manufactured products, in our business the taxiing stage is research and development one. The last three years have seen the release of over 30 hybrid seeds.

Prominent among them are Loknath for paddy, Mohan Wonder for wheat, Sona 212 for mustard, and Somnath for cotton. The takeoff stage is when the market accepts and recognises the benefits of the seeds in terms of yields, etc," adds Kagliwal. NSL has also become the first seed company in Asia and the Pacific to be awarded ISO 9001 certification.

Two varieties of seeds are produced — notified and hybrid. The notified seeds are like commodities and are sold by many manufacturers, while the hybrid products are the superior category developed by in-house R&D input. Typically, the hybrid ones are more profitable.

"When we started we dealt only with notified seeds. Then we gradually shifted and during the last year the NSL portfolio, which was in the ratio of 50:50, has tilted to 85:15 in favour of the hybrid variety. Discovering a hybrid seed is akin to a molecule in the pharma business that develops into a megabrand. This has resulted in a bloated bottomline," explains Kagliwal.

Kagliwal has drawn up plans to keep the flag flying now that he has "taken off". Besides the launch of new products he is planning large investments in R&D front. Currently, R&D expenditure accounts for around 5 per cent of the company's turnover.

Exports, NSL officials say, are also going to be a thrust area, initially targeted at Saarc and CIS countries. "After consolidating our positions in these countries we will look at other developed countries. New joint ventures and technical collaboration also forms part of our strategy for growth," says Kagliwal.

At the start of December this year the stock was quoting on the Bombay Stock Exchange at Rs18.70. However, of late the scrip has moved up Rs28.55 amid huge volumes.

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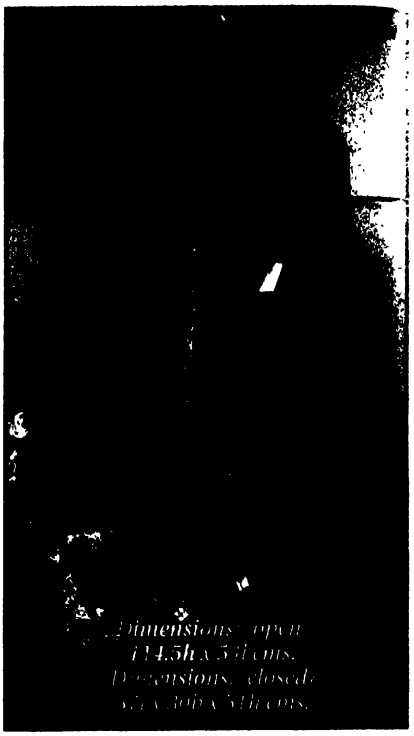
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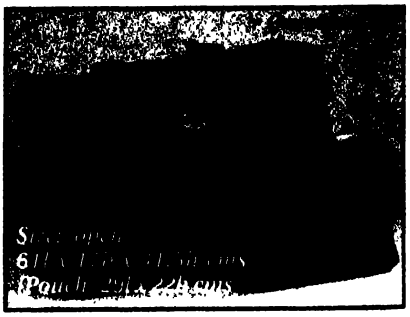


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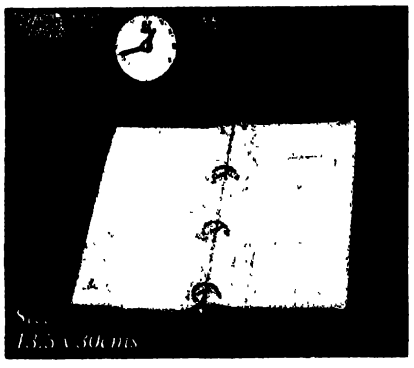
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11 – 20 Nos	1175	1165
21 – 30 Nos	1155	1125
31 – 50 Nos	1140	1110
51 + Nos	1130	1100
100 +	1100	1070

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Quantity	PRICE (Per Piece) Day Planner	WAAG
1 – 10 Nos	1220	1190
11 – 20 Nos	1195	1165
21 – 30 Nos	1175	1145
31 – 50 Nos	1160	1130
51 + Nos	1150	1120
100 +	1120	1090

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Quantity	Price (per piece)
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16- 25 Nos	600
26 + Nos	550

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Quantity	Price (per piece)
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16 - 25 Nos	650
26 + Nos	600

Handling: Rs.60/- per piece

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11 + Nos	2,800

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(A Government of Gujarat Company)

DISINVESTMENT BY THE GOVERNMENT OF GUJARAT OF 45.6% EQUITY STAKE

Government of Gujarat (GoG) holds 56.6% of the issued equity capital of **Gujarat State Export Corporation Ltd. (GSEC).** GoG, under its Public Sector Restructuring Programme, desires to disinvest 45.6% equity stake in GSEC in favour of a strategic bidder. GoG has appointed **SBI Capital Markets Ltd. (SBICAP)** as the Advisor and **Gujarat State Investments Ltd. (GSIL)** as the Nodal Agency for the disinvestment. Gujarat being a progressive state, GoG offers management control in GSEC, as well as the first right of refusal in the event of disinvestment of the remaining 11% in future, to the successful bidder. As a precursor to the disinvestment, GoG has approved a Voluntary Retirement Scheme (VRS) in GSEC. GoG will reimburse the cost of VRS by way of a grant to the extent of maximum of 40% of total employee strength of GSEC.

Brief particulars of GSEC:

Location	Ahmedabad
Main Business	(a) Management and operation of the Air Cargo Complex at Ahmedabad airport (b) Promotion of export of goods manufactured by small scale industries
Locational advantage & infrastructural facilities	GSEC is authorised by GoI to manage and operate the Air Cargo Complex at Ahmedabad which handles all goods exported and imported by air via Ahmedabad. Considering the growth in exports and imports in the recent years through this complex, it has good earnings potential.

Particulars	1996-97	1997-98	1998-99
Sales including service charges (Rs. lacs)	740.00	801.48	852.85
Profit after tax (Rs. lacs)*	28.36	(68.71)	14.97
Profit available for appropriation (Rs. lacs)	27.60	12.83	30.28
Equity capital (Rs. lacs)	15.00	15.00	15.00

*before adjusting prior period expenses of Rs. 0.77 lacs in 1996-97 and prior period income of Rs. 81.54 lacs and Rs. 15.31 lacs in 1997-98 and 1998-99 respectively.

How to Apply

Expressions of Interest (EoIs) may be submitted by Indian or Foreign companies (including Export Houses/Trading Houses/Star Trading Houses recognised by Government of India) having at least last 3 years experience in export activity. In addition, during the last 3 consecutive financial years, the company should have achieved a minimum annual sales turnover of Rs.50 crores (of which at least Rs.15 crores should have been from exports) and also made profits after tax every year. The company should also have a minimum tangible net worth of Rs.5 crores as per the latest audited financials. The company should not have been prosecuted and convicted. EoIs should comprise a brief profile of the company, its unabridged audited financial statements for the last three years and its strategic interest in the acquisition of GSEC. For the purpose of the above, last financial year/latest audited financials will refer to the financial year ended not earlier than December 1998. EoIs should be sent to the following address:

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The Vice President and Group Head,
Mergers & Acquisitions and Advisory,
SBI Capital Markets Ltd.,
202, Maker Tower 'E'
Cuffe Parade, Mumbai 400 005.
Telephone : 91-22-218 4704, 218 7279
Fax : 91-22-218 6367, 218 8332

A copy of the latest Annual Report of GSEC will be provided on request and payment of a nominal sum of Rs.100/- by way of a demand draft or pay order favouring Gujarat State Investments Ltd. and payable at par at Ahmedabad. Eligible interested parties will be informed and provided with a Confidential Information Memorandum on GSEC after submission of a Confidentiality Undertaking and payment of Rs.5,000/- (non-refundable) by way of a demand draft or pay order favouring Gujarat State Investments Ltd. and payable at par at Ahmedabad.

Note: EoIs should be submitted at the above address on or before 5 p.m. on January 15, 2000.



ANT PARIKH

The author is director of Investments Private Ltd, an investment advisory firm

capitalideasonline.com

Investing in Internet

Contrary to popular opinion, even Internet stocks can be made subject to valuation indicators

The plumbers of the Information Age have become fabulously rich. Investors who relied on the traditional metrics of valuation have, in the short period, been poorly rewarded. So should value investing don a different dress in the Internet era?

In an absorbing piece titled 'Mr Market is a Manic-Depressive' in *Morgan Stanley's Investment Perspectives* in November, Barton M. Biggs stated: "It was Benjamin Graham, the patron saint of value investors but unfamiliar to most of the Dow 36,000 and Internet crowd, who advanced the proposition that living with the stockmarket was like having a manic-depressive partner." After October's mood swings, I have to respect Graham's description.

Obviously, investment life is not that simple, but after observing Mr Market's dementia for all these many years, it strikes me that right now he is not just a good old manic-depressive on a high, but one whose illness verges on the psychotic. I think Mr Market is on drugs, maybe even heroin. There is some serious craziness going on.

I went to a dinner last week held by one of Warren Buffet's companies, and the great man answered questions with his legendary homespun charm. He said what he has said before, which goes something like this: "The wonderful thing about being a rational investor is that you are the batter in a game in which there are no called strikes. Day after day, the pitches keep coming, but you don't have to swing. They throw you XYZ at 60, but you let it go by because it's not juicy enough or you don't understand it. As long as you are patient, you can just stand there and wait for the perfect fat pitch. You may not hit even that one out of the park, but the odds are with you. It may get boring standing there with the bat on your shoulder day after day, and boredom limits the capacity of many investment managers, but it's the intelligent way to invest."

I thought about it afterwards, and the problem is that Buffett's game is not the game we professional investors are in. We have to play and swing everyday because we are pitted against some benchmark, and the benchmark relentlessly competes everyday. And against the benchmark, holding cash is not the same thing as standing there with the bat on your shoulder. You are swinging when you have cash, since it isn't in the index.

In sharp contrast, noted value investor Bill Miller of the outperforming Legg Mason Value Trust wrote in *Barron's* in November, a piece titled 'Amazon's Allure': "One of the most common questions we get is: 'How do you value Internet stocks?'" It is a legitimate question for value investors whose strategy rests on the purchase of stocks whose price is below some calculated level of value.

Some would claim that you can't value Internet stocks, most of which have minimal sales, no earnings, negative cash flow and unknown business projects. Others point out that the early-stage nature of these businesses precludes analysis based on traditional metrics, such as price-to-earnings ratios, book value or cash flow. Internet companies that are making money, such as Yahoo or America Online, sport market capitalisations larger than any number of great American businesses, including General Motors, Catepillar and Sears Roebuck. Applying standard measures to these 'new economy' companies doesn't yield anything approaching reasonable valuations. On these bases, they look wildly overpriced (and many good investors believe they are).

How to value Internet

Traditional metrics, when they work at all, work best with traditional businesses. The value of these analytical tools is usually a function of the historical data supporting their effectiveness. All of this is absent from most Internet-related businesses, leaving the value investor at an apparent disadvantage to others who employ less rigorous methods to select securities.

Benjamin Graham, the dean of value investing, has said that reward was, or should be, related to the amount of work one was willing to do. If technology is difficult, it isn't incomprehensible. Investors who rule out the largest sector of the stockmarket, and the most important driver of economic growth and progress, because it takes work to figure it out, have little to cavil about when others get the rewards. Although technology changes reasonably rapidly, it doesn't follow that such change is random or unpredictable.

It's true that some of the best technology

YAHOO!

The value of analytical tools is usually a function of historical data supporting their effectiveness. This is absent from most Internet-related businesses, leaving value investor at apparent disadvantage

companies have rarely looked attractive on traditional valuation methods, but that speaks more to the weakness of those methods than to the fundamental risk-reward relationships of those businesses. Had we understood valuation better, we would have owned Microsoft and Cisco Systems. Microsoft has gone up about 1 per cent per week, on average, since it has been public. Companies don't outperform year in and year out for over a decade unless they were undervalued to begin with.

Undervaluation isn't determined by a stock's price in relation to existing or trailing earnings, book value or cash flow, although these may be evidence of a price that is below intrinsic value. Undervaluation is determined by the relation between a stock price and the present value of the free cash the underlying business will generate over one's forecast time horizon.

The stockmarket is a discounting mechanism. Its prices reflect the expected value of the future, a future that at best will resemble, but not replicate, the past. Potentially disruptive technologies such as the Internet may change long-established economic relationships, providing an opportunity for those who correctly discern the changing economic patterns before they are reflected in market prices.

The market believes it knows where a lot of the opportunity is: the combined market value of AOL, Yahoo and Amazon is about 40 per cent of the total value of all Internet stocks. Two questions come to mind: Do these values overstate or understate the intrinsic value of the businesses? And how would you know?

How should one go about figuring this out? W.K. Clifford, and many others, would say you shouldn't. Clifford, a brilliant mathematician who died at age 34 in 1879, argued that making decisions without adequate justification wasn't just ill-advised, but wrong.

If Clifford were a portfolio manager, he would argue that there is insufficient evidence on which to make a judgment about Amazon. Its business model is unproven (some would say unknown); it does nothing bur report losses. The book business is mature, slow-growing and fiercely competitive.

Amazon's new initiatives, into toys, electronics and online auctions, are certain to add to the losses through start-up costs. The company is spending heavily to build warehouses, which carry both capital costs and execution risk. The new zShops effort, while promising, further fragments management's attention. Finally, the value of Amazon not only exceeds that of Barnes & Noble by almost 20 times, it is greater than that of Sears, Federated Department Stores, Saks, and Kmart combined! One might conclude that efforts to find value would be better employed elsewhere.

Another 19th century thinker, William James, wrote an essay to counter Clifford called 'The Will to Believe'. James argued in this seminal work that in many cases one was justified in believing something well in advance of what others may consider sufficient evidence. His argument carried the day philosophically.

Valuations work

With Amazon, we believe that the pay-off for being right is high. We arrive at this view by developing a model of each of Amazon's businesses, adjusting for capital employed and time to maturity. We project free cash flows using a variety of scenarios, and try to assess the relative probabilities of each. This gives a range of possible values for the business. We then try to discern which scenario most closely fits the current evidence. That gives the most probable current intrinsic value.

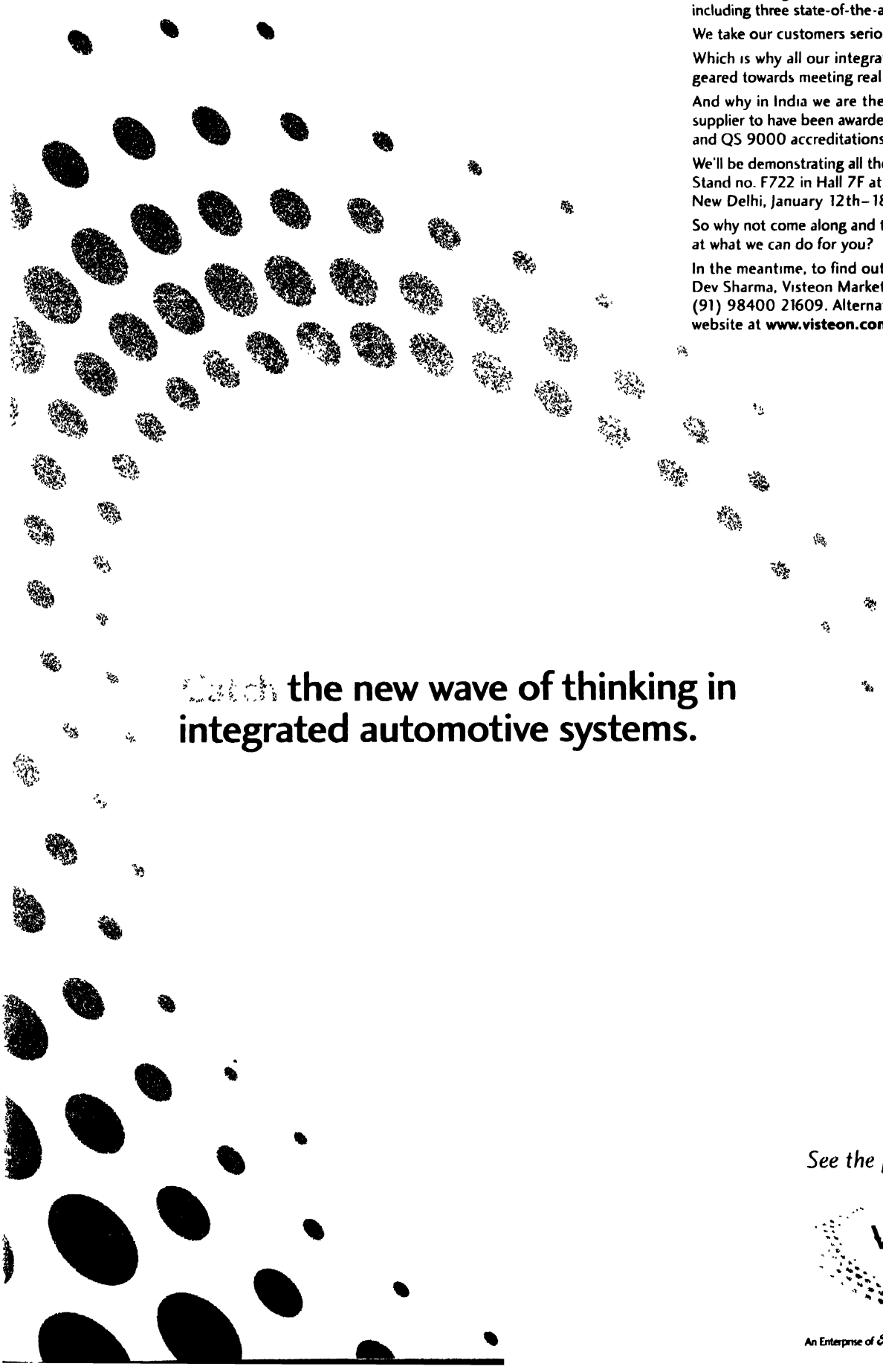
The most someone who buys the Amazon.com stock can lose is his high purchase price. What is the threshold of evidence necessary to make such a bet? How does an investor know if he's likely to win or lose as the company's business develops? These are all epistemological questions. James notes that for one type of thinker, the crux of such decisions is in their principles or origin, while for another the importance is in the outcome.

One type of value investor needs the authority of the past in order to bet on the future. Like Clifford, such people have a high threshold of evidence and wish to avoid the inevitable errors that occur in trying to assess the expected value of the future. The theory of value indicates that all of an asset's value derives from the future. Avoiding the analysis of possible futures, their probabilities and expected pay-offs, may constitute the greatest error of all.

From the rigorous quantification of value criterion of the Benjamin Graham era to the second generation valuation metrics of the last decade, the concept of the 'margin of safety' has undergone a unique evolution. But hitherto, it has always been probabilities and not possibilities that value investing has embraced. Never has the measure of the 'margin of safety' been as subjective as it is today. And that makes it no different from speculation. 'Margin of safety', like beauty, lies today in the eyes of its beholders.

amazon.co.uk

Amazon does nothing but report losses. However, the value of Amazon not only exceeds that of Barnes & Noble by almost 20 times, it is greater than that of Sears, Federated Department Stores, Saks, and Kmart combined! One might conclude that efforts to find value would be better employed elsewhere



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Tax-Saving Schemes

TOP 10

If Rs 10,000 was invested in each of these schemes on 27th November 1998, it is worth...

	Scheme	Fund	NAV based Rs	% change	Risk grade	Issue date	Redemption date
1	First Indian TaxGain '97	First India MF	37760	277.60	I	31-Mar-1997	31-Mar-2007
2	KP Tax Shield 95	Kothari Pioneer MF	33863	238.63	I	31-Mar-1995	31-Mar-2005
3	Zurich India Tax Saver	Zurich India MF	33816	238.16	I	31-Mar-1996	31-Mar-2006
4	KP Tax Shield 98	Kothari Pioneer MF	30720	207.20	I	31-Mar-1998	01-Apr-2008
5	Alliance Tax Relief 96	Alliance Capital MF	30686	206.86	I	31-Mar-1996	Open-Ended
6	Magnum Tax Gain Scheme	SBI MF	30638	206.38	III	31-Mar-1993	Open-Ended
7	Tata Tax Saving Fund	Tata MF	30518	205.18	I	31-Mar-1996	Open-Ended
8	Magnum GIFTS A (Ann. Inc.)	SBI MF	30455	204.55	II	30-Mar-1992	31-Mar-2002
9	Birla Tax Plan '98	Birla MF	30408	204.08	I	31-Mar-1998	31-Mar-2008
10	KP Tax Shield 97	Kothari Pioneer MF	27188	171.88	I	31-Mar-1997	31-Mar-2007

BOTTOM 10

60	Dhan80CCB (1) A (Ann. Inc)	LIC MF	13801	38.01	III	30-Mar-1991	30-Mar-2001
61	BEST Plan B	BOI MF	13511	35.11	I	31-Mar-1993	31-Mar-2003
62	GIC Growth Plus	GIC MF	13455	34.55	II	31-Mar-1993	31-Mar-2003
63	Dhan80CCB (2) C (Gr)	LIC MF	13455	34.55	II	31-Mar-1992	31-Mar-2002
64	Dhan80CCB (1) C (Gr)	LIC MF	13432	34.32	II	30-Mar-1991	30-Mar-2001
65	Dhan Tax Saver 95	LIC MF	12956	29.56	I	31-Mar-1995	31-Mar-2005
66	PNB ELSS91	PNB MF	12595	25.95	V	31-Mar-1991	31-Mar-2001
67	PNB ELSS92	PNB MF	12454	24.54	V	31-Mar-1992	31-Mar-2002
68	GIC Taxsaver 95	GIC MF	12271	22.71	I	31-Mar-1995	31-Mar-2005
69	GIC Taxsavers Growth 94	GIC MF	11061	10.61	I	31-Mar-1994	31-Mar-2004

Median Return-Peer Group	17181	71.81
S&P CNX 500	18588	85.88
BSE Sensex	16906	69.06
BSE Natex	18024	80.24

NOTES

1. Shortlisted schemes are those with common investment objectives and an NAV history of at least one year.
2. Scheme returns are adjusted for dividend, rights and bonus payouts.
3. Price-based returns are fairer indicators and consider "real" entry/ exit facilities. These are based on market-price (including entry and exit brokerage cost), and/or/resale/repurchase price offered by the funds.
4. Risk grades: I - Least downward risk (relative to other schemes), V - Most downward risk. Downward risk measures how often, and to what extent, NAV declines on a month-to-month basis.
   Grades are based on relative downward riskiness of scheme within its peer group.
5. Scheme Peer Group returns are median returns on all shortlisted schemes.

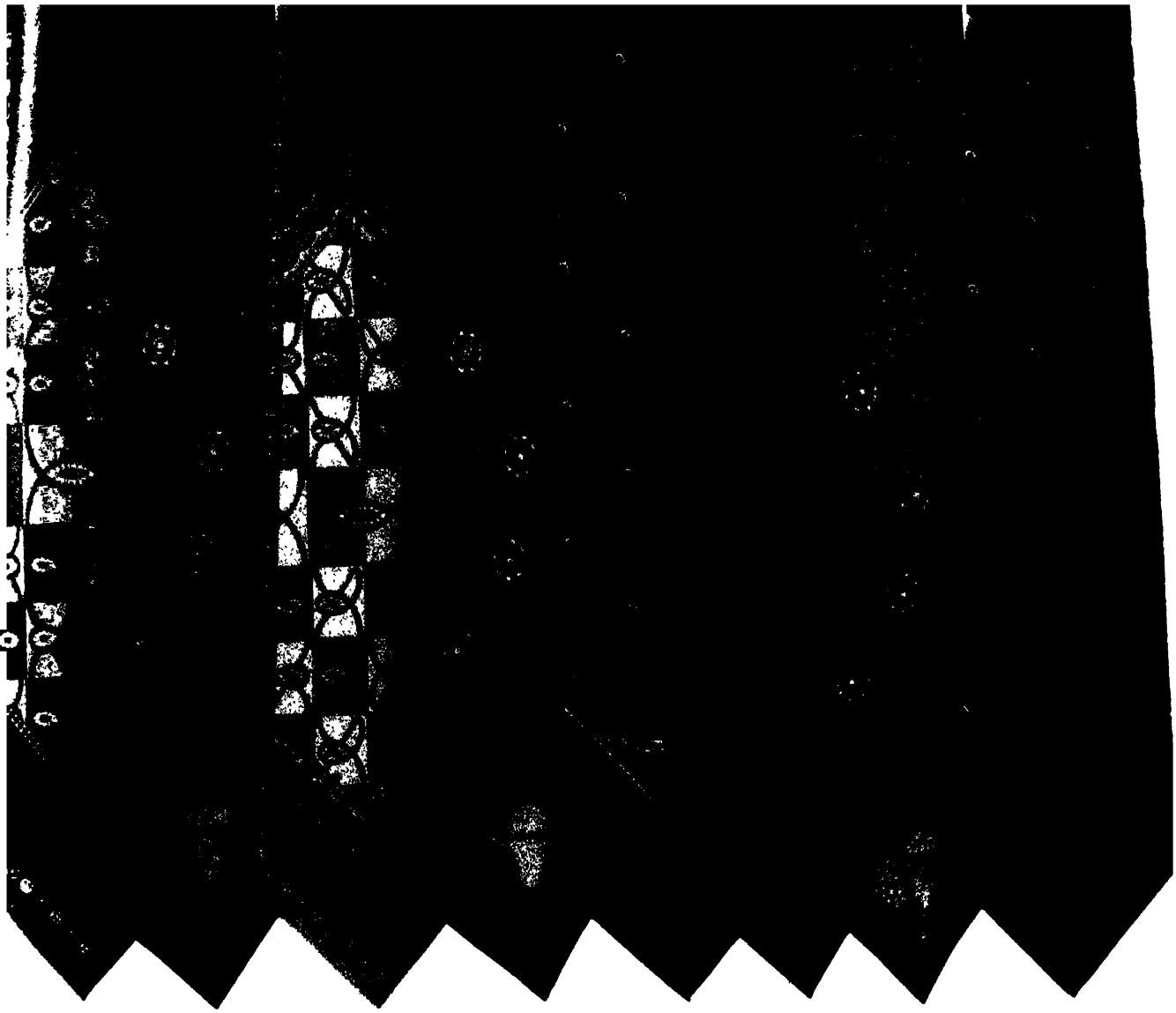
COMMENTS

Overall the shortlisted tax-saving schemes have under-performed the benchmark, the broad-based S&P CNX 500 Index. The annual median return of these tax-saving schemes is 71.81 per cent versus 85.88 per cent in case of S&P CNX 500 Index. Interestingly of the shortlisted 69 schemes, 26 schemes have out-performed the broad-based SNP CNX-500 Index.

The present rallies in the market have been broad-based. During the selected period S&P CNX 500 Index has out-performed the premier index BSE Sensex. The demand for Indian software stocks on US NASDAQ continued to influence the buying sentiments in the local markets. Infotech and refinery stocks have rallied sharply. Funds having exposure to these stocks have witnessed growth.

The investment performance, however is not uniform across the schemes, with top nine schemes generating an annual return of over 200 per cent while the bottom eight schemes generated a return of 35 per cent.

Compared to last mutual fund ranking (as on 16th October, 1999) on tax-saving schemes KP Taxshield 97 of Kothari Pioneer MF has been added to the top 10 rank while Libra Tax Shield 96 from HB MF has been dropped out of the list.



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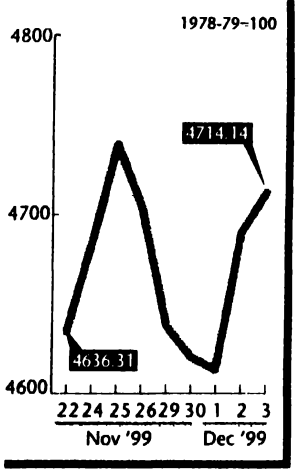
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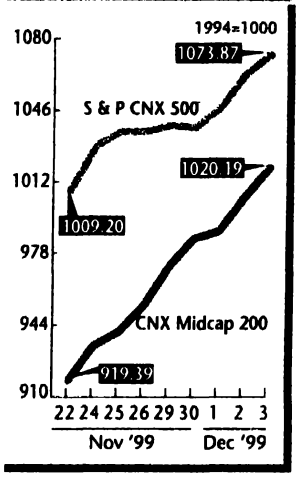
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Indicators for fortnight ended 3 December 1999 Equities

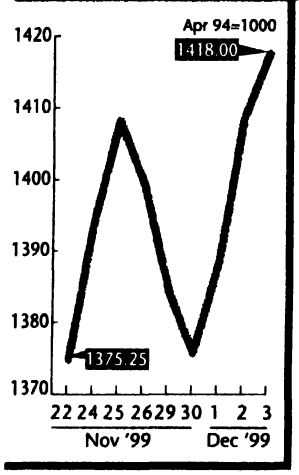
BSE-Sensex



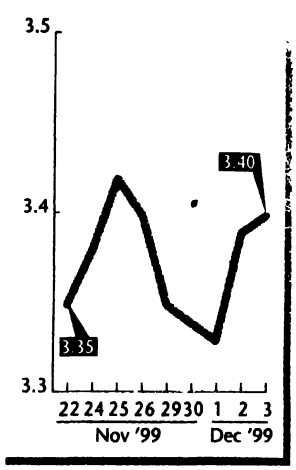
S&P CNX-500



S&P CNX Nifty



Sensex P/BV



S&P CNX 500 -Best Performing Industries

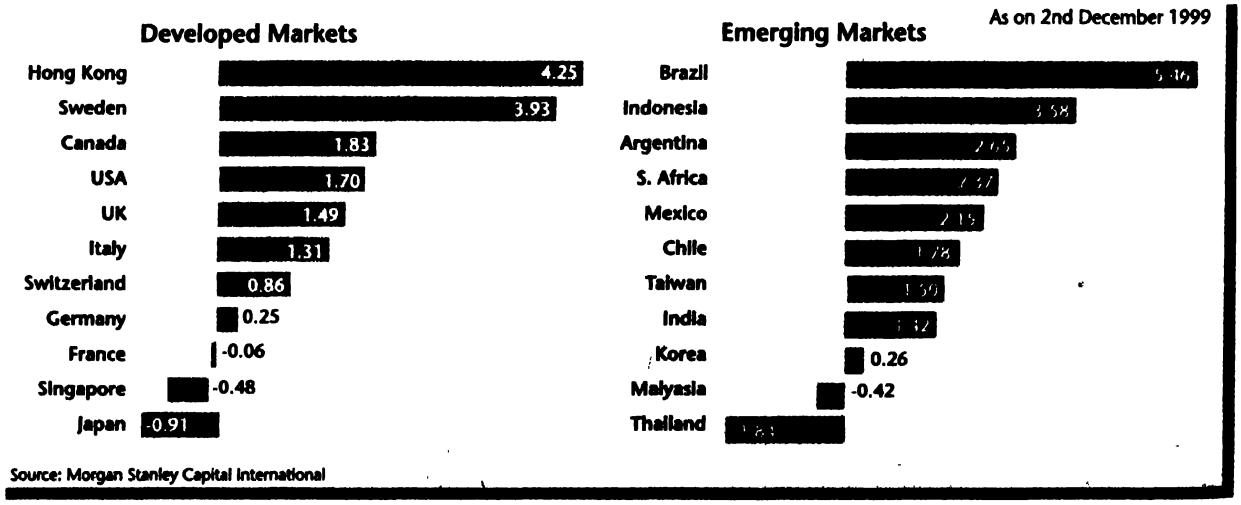
Industry Name	2-week % change	Yearly % change
Brew/ Distilleries	30.47	157.58
Computers- Hardware	23.05	383.20
Castings/ Forgings	21.30	544.47
Finance	19.55	140.28
Miscellaneous	19.48	150.16
Telecommunication- Equipment	16.08	573.34
Refineries	15.92	48.42
Telecommunication- Services	15.89	72.72
Chemicals- Inorganic	14.82	31.52
Packaging	13.97	115.24

S&P CNX 500 -Worst Performing Industries

Industry Name	2-week % change	Yearly % change
Sugar	-7.40	16.92
Cigarettes	-6.87	1.80
Engineering	-6.20	66.61
Tea & Coffee	-5.55	47.90
Auto Ancillaries	-4.91	67.90
Travel & Transport	-4.68	27.83
Dyes & Pigments	-4.32	29.91
Electrical Equipment	-3.68	6.95
Automobiles- 2&3 Wheelers	-3.30	4.90
Printing & Publishing	-2.55	234.60

Monthly change in world stock indices

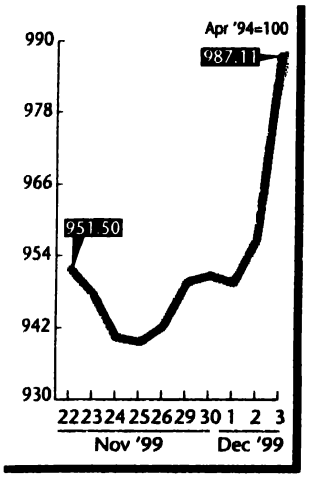
As on 2nd December 1999



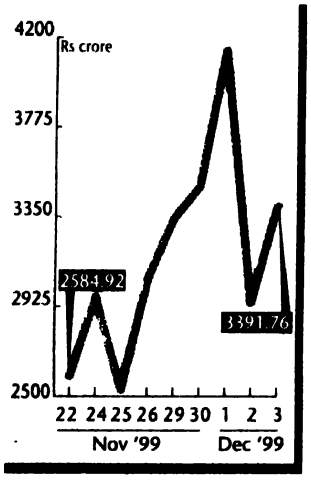
Source: Morgan Stanley Capital International

Equities

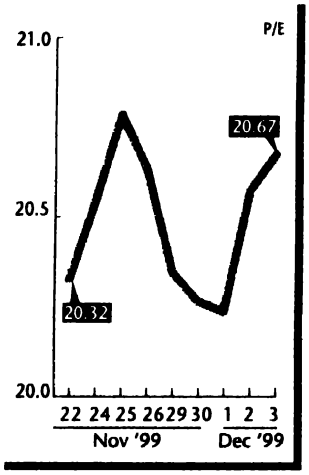
Skindia GDR-Index



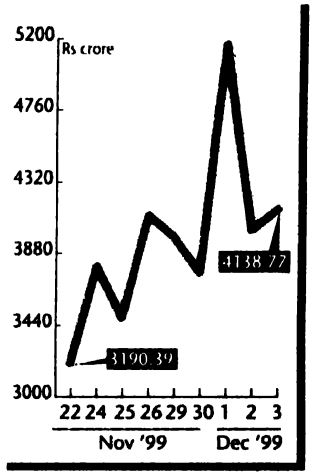
BSE-Volumes



Sensex PE



NSE Volumes



S&P CNX 500 -Worst Performing Stocks

Company	Price-3 Dec Rs	2-week % change	52-week High/Low
Sundaram-Clayton	301.50	-20.66	380/108
APR	20.00	-17.36	32/11
Indian Seamless Metal Tubes	19.00	-16.48	29/14
Balrampur Chini Mills	115.05	-14.14	137/72
Bayer ABS	62.10	-13.63	77/34
Bharat Earth Movers	28.95	-13.06	44/17
Punjab Anand Lamp Ind.	132.00	-12.06	211/51
Core Healthcare	22.00	-11.82	32/10
Whirlpool of India	50.40	-11.42	142/22
Elgitread (India)	315.00	-11.27	416/186

S&P CNX 500 -Best Performing Stocks

Company	Price-3 Dec Rs	2-week % change	52-week High/Low
Kotak Mahindra Finance	102.55	89.91	103/14
Punjab Communications	55.65	65.63	56/18
McDowell & Co.	239.85	61.03	247/19
HDFC Bank	143.25	56.22	144/49
Rolta India	207.50	52.01	218/55
Global Trust Bank	62.95	51.69	67/24
Jindal Strips	139.00	49.46	167/34
Leading Edge Systems	637.00	48.83	653/227
Bharat Forge	328.00	47.95	338/47
Citicorp Securities & Investments	653.30	45.78	710/33

S&P CNX 500 -Most Active Stocks

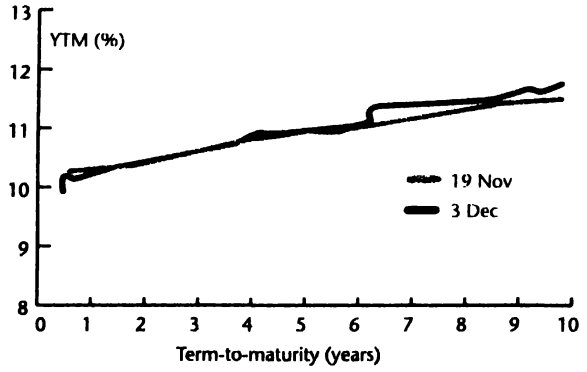
Company	No. of shares (Lakhs)	Price- 3 Dec Rs	2-week % change
Silverline Industries	479.30	628.45	41.73
Reliance Industries	444.01	218.80	-2.15
Satyam Computer Services	374.95	2115.00	29.28
Himachal Futuristic	372.58	448.00	19.79
Pentafour Software	355.19	886.95	33.17
State Bank of India	309.26	245.65	5.47
Ranbaxy Laboratories	285.87	1084.90	17.66
Rolta India	256.55	207.50	52.01
Steel Authority of India	240.47	11.50	12.20
Zee Telefilms	223.85	678.45	28.28

S&P CNX 500 -Large Market Cap Companies

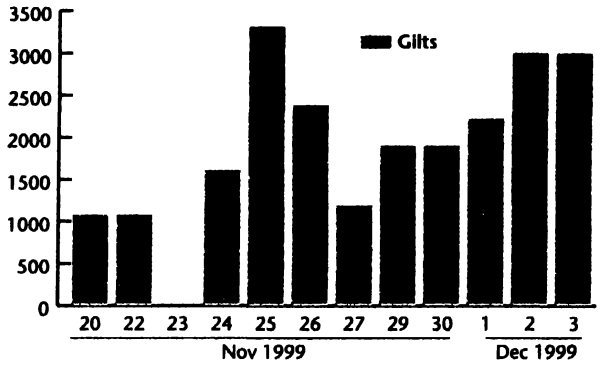
Company	Avg Mkt Cap Rs crore	Price- 3 Dec Rs	2-Week % change
Hindustan Lever	51113.34	2410.00	4.78
Infosys Technologies	30776.67	9300.00	7.02
Wipro	29551.75	1325.00	15.72
Zee Telefilms	22659.89	678.45	28.28
Reliance Industries	20831.43	216.80	-3.04
ITC	17731.50	712.00	-7.47
VSNL	16880.34	2000.00	20.70
SBI	12261.62	245.65	5.47
MTNL	11863.95	190.80	9.03
Ranbaxy Laboratories	11601.63	1084.90	17.66

Source: India Index Services and Products

Sovereign yield curve



Daily volumes



Gilts include dated securities, state government securities and 14, 91 & 364-day T-bills

Market Movements

Particulars	This fortnight (%)*	Last fortnight (%)#	Comments
Call Money[1]	7.56	8.16	Excess liquidity resulted in lower call rates
Treasury Bills[2]	7.58/8.94/10.20	7.58/9.36/10.22	Lower call rates resulted in lowering of TB yields
Bonds (AAA)[3]	11.60-12.00	11.75-12.16	Good trading interest witnessed
Debentures (AAA)[4]	13.00-13.15	13.20-13.50	Good interest in new issues
ICDs[5] (Grade A)	11.00-13.50	11.00-13.50	Activity continued to remain low
CPs[6] (P1+)	9.90-10.15	10.00-10.30	CP rates fell further during the fortnight
PLRs[7]	12.00	12.00	PLRs remained steady

1.Call money is fortnightly average rate, 2: Treasury bills (TBs) are cut-off yields on 14 day TBs, 91 day TBs and 364 day TBs at auctions; 3:Five-year bond yields are secondary market yields or a new benchmark issue; 4: Debentures are secondary market yields with 5 years maturity on the NSE; 5:Intercorporate deposit (ICD) rates are rates (90 days) for AAA rated companies reported in the market, 6 Commercial paper (CP) rate is the rate reported for 90-day maturity paper; 7: Prime lending rate (PLR) is the average of PLRs reported by scheduled commercial banks.

* Nov 20-Dec 3 # Nov 5 - 19

Attractive Options*

Company	Instr	Face value (Rs)	Maturity	Rating	YTM (%)
MRPL	NCD	100	2002	LA+	15.67
NALCO	NCDs	100	2005	LAAA	13.58

* based on data provided by NSE

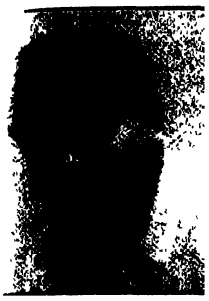
Corporate Debt Issues

Company	Rating	Instr. coupon (%)	Amount (Rs cr)	Maturity (yrs)
HDFC	AAA	Bonds/ 11.95-12.10	150+100	8
IOC	AAA	Bonds/ 11.35-11.75	300	5

Snapshot

Liquidity remained good during the fortnight. This was on account of cut in CRR by 50 bps and RBI offering extra liquidity to banks from 1 December onwards to tide over any withdrawals due to Y2K scare. Excess liquidity resulted in call rates coming down. Call rates hit 4 per cent levels on the reporting Friday. TB auctions witnessed good bidding interest. Cut-off yields fell for 91D and 364D TBs. In the secondary market, prices of dated securities shot up because of excess liquidity. Prices on the farther end of the curve went up by more than 100 paise. In the coming fortnight we expect liquidity to remain easy. Call rates should remain in the range of 7.50-8.10 per cent. TB auctions to witness good subscription even at lower yields.

Source: SBICAP; The rates/quotes mentioned herein are indicative, for business transactions please seek professional advice.



NIK AL JAIN

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www.indiainfoline.com

Money and madness

The new Internet economy is growing at the pace of a hurricane

The human mind comprehends new objects with analogies or metaphors of known objects. That is why we see the Internet being compared with steam engines and Ford's assembly line invention. I think it is a revolution unprecedented and a mania even more unprecedented.

Indiaworld.com's deal with Satyam Infoway's at Rs5 billion has stunned most market observers. In the corporate world, there have been many deals at extraordinary valuations, for strategic reasons. In the Net world, wherein most ordinary businesses are valued extraordinarily, it is but natural that deals with extraordinary strategic relevance happen at astronomical price. In the US market, people are now used to crazy valuations. A year ago, investors in Internet companies forgot P/E and ROCE, but started looking at market cap to turnover ratios. Then even the revenue criteria was jettisoned, eyeballs became the ballpark for valuations.

Whether the valuation was justified or not is a subject of a separate debate, it has triggered a mad rush for setting up dotcom companies. The sheer size of money and valuations has understandably grabbed everybody's attention. Everybody from an entrepreneur to corporate houses wants to board the Net bandwagon. The day a company announces its dotcom plans, its share price starts soaring. Most people think that the business of dotcom is the shortest and fastest route to wealth. The buzzword is Net or Net-enabled business Few of them really have a serious proposition. Also, very few people understand that the Net is a more effective way of doing your existing business.

To take an analogy, let us go back in time to the pre-automobile days when bullock carts were used for transportation. With discovery of, say, trucks, more and more businesses start using trucks. Do we call them truck or truck-enabled businesses? To my mind, every business will have to be Net-enabled. Why then such hype for Net and Net-enabled businesses?

It all probably started with the realisation that there will be a new pecking order on the Net. Corporates which are late to include the Net in their core business will lose customers permanently. The corollary is that the companies that adopt the Net early will be the leading players in their segments in the Net economy. The most interesting part of the Net economy will be the minimal capital reinvestment needed to grow the business. What most people forget is that consistent investment may be required for marketing and technology for a long time.

We all agree that this frenzy will come to an end and there will be a major shake-out. Yet, several veteran venture fund managers want to invest for their belief that out of 10 investments they make, nine may go bust but one will pay off. Many others just do not want to miss the gold rush. As Net companies' stock prices skyrocket, they can use currency represented by their share certificates to acquire lesser mortals at heavenly prices. As they do it, their share prices will rise higher and the cycle will go on. Also, if some companies play this game to get bigger, their competitors have no choice. Investors who tried to reason, helplessly watch what they missed. Even the conservative ones try with the little money that they can risk. When that money gets bigger, risk-taking ability and greed takes over. It is a mad, mad world.

The day a company announces its dotcom plans, its share price starts soaring. Most people think that the business of dotcom is the shortest and fastest route to wealth. The buzzword is Net or Net-enabled business. Few of them really have a serious proposition

There cannot be anything more insane than trying to be sane in an insane world. We can imagine the plight of venture funds — if they do not chase deals with extraordinary valuations, they may miss them, only to see the share prices of those companies defying gravity and rising endlessly. Whether in the ultimate analysis investors make money or not, the mania pulling money is building the new Internet economy at a pace unimaginable ever before. •

Security failures over the Internet are likely to increase security fears among online shoppers, many of whom do not use their credit cards on the Net. Last week Egg, which is the direct banking arm of Prudential, admitted that its Web site had a serious flaw. The flaw allowed strangers full access to Egg credit card accounts even when customers had supposedly logged out. The fault in Egg's system is just the latest in a series of problems that the company has faced recently. The 'log out' button on the Egg site is the cause of the current crisis. Although clicking the button is supposed to prevent access to your account, it has not worked with the most recent version of Netscape's popular Navigator software. The banking firm, which has been overwhelmed by applications for its savings account and online credit card, is to now introduce a 'browser healthcheck' that assures users that their software does not raise security risks. Egg's credit card was launched in September.

• Satellite broadcaster British Sky Broadcasting (BSkyB) has decided to invest in computer games group Gameplay.com. Gameplay operates computer games portal which it uses to sell games and dial-up computer gaming that allows participants to play with each other. Shares in the online company jumped by nearly 50 per cent after the announcement. Gameplay is to issue shares equivalent to 5 per cent of its share capital to BSkyB at the rate of 265 pence a share. A further 5 per cent of shares are to be issued at the same price after shareholders approve the arrangement. The entire deal is to cost BSkyB about £10.6 million. Gameplay will in return produce a 13-episode television programme on computer and video games to be shown on BSkyB's Sky One next year. Both companies are to also combine their advertising and sponsorship deals. BSkyB made its first investment in an online company last month when it bought a 5 per cent stake in Toyzone.co.uk, a toy retailer.

• The third-largest tobacco company in the European market just got larger. The new French-Spanish tobacco group, Altadis, now occupies a supreme position in the world cigar market after its new $500 million deal. It was the merger of Seita and Tabacalera



that led to the formation of Altadis recently. The group has now taken a 50 per cent share in Cuba's cigar export company, Corporation Habanos. Through the deal, Altadis will now own world-famous brands like Montecristo and Romeo and Juliet. Altadis already has a 25 per cent share of the world cigar market and 36 per cent of the US market. This particular deal is said to be the largest joint venture in relation to Cuba's farm sector. Until just over a century ago, Cuba was a Spanish colony and the deal is being described as a suitable culmination of a 350-year-old relationship with Spain and Cuba's tobacco sector. Corporation Habanos has local partners in 23 companies around the world as well as 69 luxury franchise outlets. Corporation Habanos sales through distributors are expected to rise 13 per cent in volume this year to 120 million units, and 14 per cent in value to $288 million, yielding an estimated net profit of $64 million, which is an increase of 21 per cent over last year.

• The United Kingdom's largest bank is acknowledging the importance of e-commerce and the Internet in the banking industry. Lloyds TSB has 15 million retail customers and with the new changes hopes to meet the growing demand for online financial services as well as reduce costs. Lloyds TSB is to create new divisions like a centralised information technology division, distribution division and customer management operation and has broadened the responsibilities of its executives to encompass e-commerce. The UK retail financial services industry is currently in a state of flux as new technology is being introduced into this sector. The main changes at Lloyds TSB will involve the new single retail distribution division that is designed to focus on the management of all distribution channels, including driving forward e-commerce developments.

• Germany's third-largest wireless communications company, E-Plus, has been taken over by Dutch telecom company KPN. The acquisition of E-Plus worth $13 billion will help in KPN's expansion plans in Germany and other parts of Europe. KPN also has a new US partner in BellSouth. The KPN-BellSouth deal gives both the companies equal control of E-Plus and will be used by the latter as a platform to expand in Europe. BellSouth has loaned KPN nearly $8 billion. Until last week, the race to acquire E-Plus included France Telecom, which was willing to pay up to $9.3 billion for the 77 per cent owned by three of its founding shareholders. The scenario changed completely when BellSouth, the remaining founder, exercised its right to buy the shares.

• The world's largest car company, General Motors (GM), is to form a $1.4-billion strategic alliance with Fuji Heavy Industries. The Japanese company is the maker of Subaru cars and GM is to buy a 20 per cent stake in Fuji Heavy by March next year. The move is to allow GM closer and faster access to the fast growing Asian market. GM plans to increase its marketshare in Asia to 10 per cent by 2005 which is currently at the 4 per cent mark. GM already owns 49 per cent in Isuzu Motors, a Japanese truck maker. The US company expects the Asian auto market to become the second-largest market after North America in the next 10 years. The partnership will initially focus on producing small and medium-sized sports utility vehicles using Subaru technologies to be introduced in the North American and European markets. Fuji has also recently announced a broad alliance with Suzuki Motor, Japan's largest mini-vehicle maker.

edia moves

dia is once again rumbling as ves are being made on the chess- ard. IIT and IIM alumnus Harish nawla, formerly with the belea- ered ABCL as chief operating officer d till recently the head of Times usic, is the new chief executive of BC India, which is being test run ice 6 December. It may be recalled



Raghav Bahl is launching his IPO shortly

at this is a 50:50 joint venture tween the Paul France-headed CNBC d media software house TV 18 moted by Raghav Bahl, who, inci- ntally, is launching his IPO shortly.

With the channel actually being nched from 13 December, its USP is ng to be the *Bazaar* segments which l show the stockmarkets live, owed by a detailed market wrap at m on weekdays. The other notable uisition is Rohinton Kapadia as e-president — distribution. Kapa- was till very recently with usInd Media Communications, ich has been seeing a considerable churn of late. CNBC India will thus be the first dedicated business channel in the Indian television sweepstakes.

Beverage world

Even as a slew of top management changes are taking place at Coca-Cola India – new CEO Doug Jackson is slated to take over from 1 January – rival Pepsi Foods has been quietly hiring. Two months ago, it picked up marketing veteran Subroto Chattopadhyay, who was handling brand marketing at cigarette giant ITC as executive vice-president, to head the flavours portfolio. The newest man to come on board is from the liquor industry: Ashok Swarup will be Pepsi's new country manager for Sri Lanka.

Swarup, as we had reported, (see *Business India* 20 September, 1999) was until recently CEO of Seagram India before Param Oberoi took over. That Swarup, who was given responsibility for the Asia Pacific region, would move out was anticipated. What is surprising is that Swarup, an alumnus of IIM-Ahmedabad and a liquor marketer for 25 years, chose to move out of the liquor industry. His new assignment though appears challenging. Pepsi trails behind Coke in that market where it has a joint venture with the Maharaja group. Swarup replaces T.J. Venkat, who is moving back to Delhi to work in the flavours division.

CDSL jinx

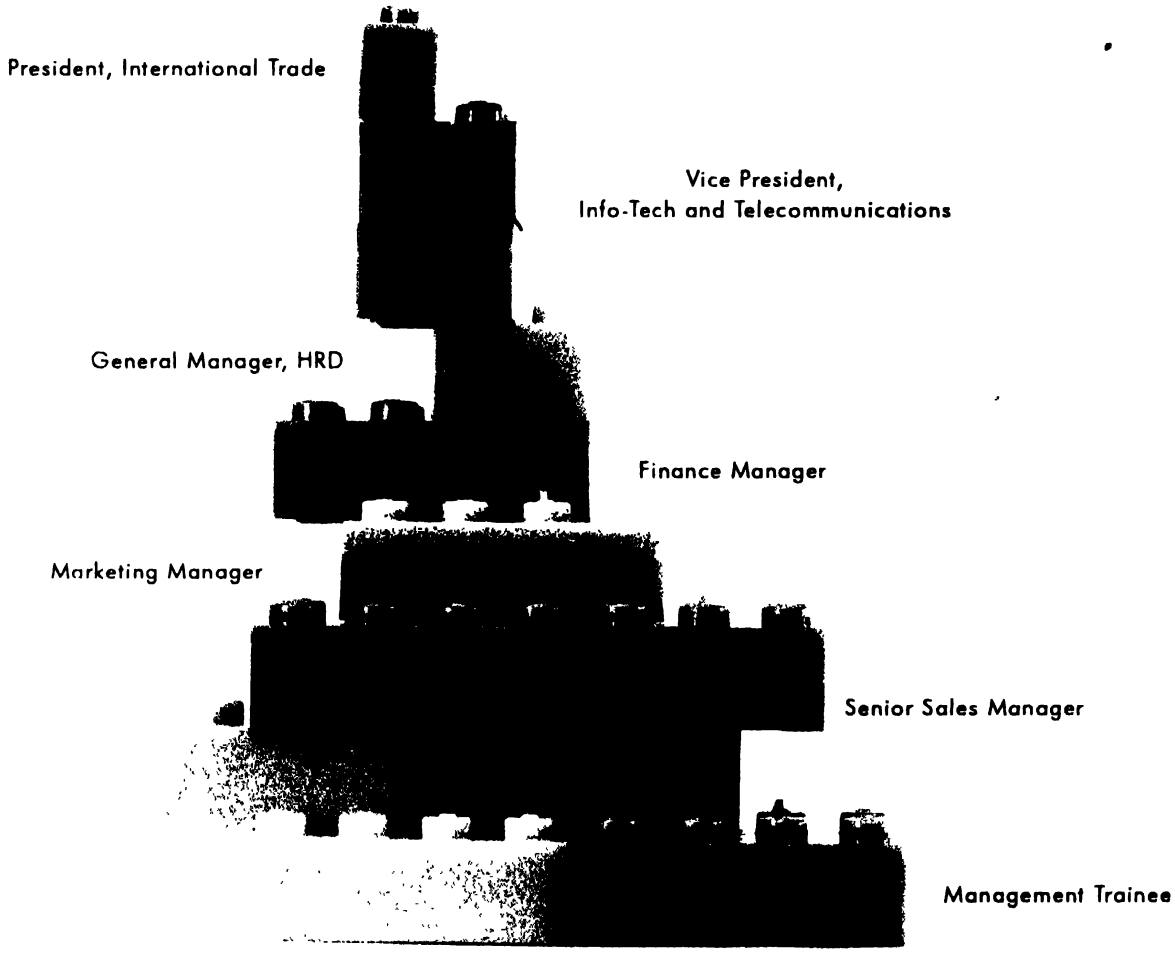
Central Depository Services Ltd (CDSL) – the depository arm of the Bombay Stock Exchange – seems to be jinxed, at least when it comes to the office of the managing director. We had reported that Dinesh Kumar Dhagat, who was chief general manager with the State Bank of India, was slated to take charge as the managing director from P.V. Maiya this month. Dhagat died in a car accident in Chennai on 2 December. Meanwhile, P.V. Maiya, the former managing director who had put in his papers three months ago and laid down his office last month, also encountered health problems in the past couple of weeks. Maiya is convalescing from a heart-attack. BSE members and also the board of directors are known for their superstitions. Under the circumstances, it remains to be seen who will fill the jinxed office.

Hiring spree

The Chennai-based Polaris Software Lab is again in the news, after its recent successful public issue. This time it is for the slew of people who have come on board from organisations like Bank of America, Citibank, Motorola and Hindustan Motors. But one key figure who will be sorely missed is Aditya Kumar Tyagi, senior vice-president, HR and corporate communications, who spearheaded the HR function with a lot of panache. The reason for his quitting? "I have been living here in Chennai and hardly get time with my Delhi-based family. I will miss the Polaris family sorely too." Tyagi plans to restart his consultancy work once again. In the meantime, he has helped the company make a smooth transition in bringing in Sumitra Das, as V-P, HR, and R. Balakrishnan as manager, corporate communications.

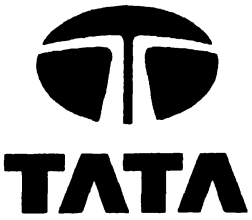
Endpiece

Fenner India has a new president and director. K. Mohan now heads the Chennai-based Singhania Group company. He was with Sundram Fasteners and a Middle-East-based injection moulding company till he came to Chennai. R.C. Gupta, the earlier incumbent, has gone over to the Hyderabad-based Bakelite Hylam. Could it be differences with the Singhania family which prompted Gupta to hand in his papers as corporate observers suggest? Company sources made the usual polite noises. •



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A builder of giants



As a PhD student at the University of Chicago, Nasser Munjee was faced with a dilemma: did he or did he not want to complete his PhD? "I was wondering if I wanted to be an academic," he muses. It didn't take him long to decide that he didn't, after all. "I wanted to get out into the real world, get my feet wet in the world that lay outside the campus," recalls Munjee. Besides, he could always go back to the PhD later, he told himself as he packed his bags to return to India, the only place he ever wanted to work in.

He never went back to his PhD; the real world held enough challenges. Back home in 1977, Munjee found that there were few jobs for a monetary economist in the country those days. So as he waited for the right job to come his way, he kept himself occupied by writing articles and analyses for *The Economic Times*. Articles which got him his first mentor and a major inspiration in his career – H.T. Parekh. Parekh was then toying with the idea of setting up a housing finance company and asked the young economist to join him in the pioneering venture. "I told him it wasn't my field, but he insisted that it was nobod[illegible] field," says Munjee.

Nasser Munjee

DEPUTY MANAGING DIRECTOR – INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED (IDFC)

Born: 18 November, 1952
Education: B.Sc (Econ) London School of Econom[illegible] 1971-74
M. Sc (Economics) London School of Economics, 1974-75
On the PhD Programme in Economics, University of Chicago, 1975-77
Career: HDFC, Mumbai, as 1977-85; general manager, 1985-[illegible]; executive director, 1989-97; IDFC, Mumbai: deputy managing director since October 1997

And before he knew it, he was in t[illegible] thick of activities at HDFC, forming [illegible] 'unique' team with Deepak Parek[illegible], Deepak Satwalekar and Pradeep Sha[illegible] "People predicted that HDFC woul[illegible] fail. But look where we have taken [illegible] today. We demonstrated that goo[illegible] management in a difficult framework can still work." And even as he helped millions of people a chance to own their dream house, Munjee found himself a second home – at HDFC. "I had given myself six months at HDFC, but stayed on for the next 20 years."

That was in 1977. Almost two decades later, it was time for another big idea. Finance minister P Chidambaram was looking at creating something in infrastructure that would be like HDFC in housing finance. And Deepak Parekh, who had taken over as chairman of HDFC in March 1997, called in Munjee, who headed a 10-member team to prepare a business plan for the Infrastructure Development Finance Company (IDFC). Munjee spent an entire month agonising over getting the mission statement right – "to lead private capital into commercially viable infrastructure projects."

Having drawn up the plan, Munjee also had the tough task of selling the concept of private capital in infrastructure. After doing a fine job of it at the IMF, the World Bank and the like he came back to inform Parekh that he was taking off to Goa for a holiday. That was when Parekh popped the question. "But I wasn't sure. How could he ask me to leave HDFC for IDFC, when I was so comfortably settled there? Besides, it would be like jumping off from a secure cabin into turbulent waters." But it was a losing battle as Parekh gave him enough reasons why he should join IDFC.

And 20 years after he started building one giant, Munjee found himself creating another one. "It was like HDFC repeated," he says. Only, this time it was more difficult as there was no precedent to the whole idea. And there was no question of being able to learn from others' mistakes. The issues were enormous, involving the interface of a whole range of sectors. And the

itution he had to handle itself was h e, with an equity capital of Rs1,650 c e. Like at HDFC, Munjee was once a in doing a 'run around' job, taking c e of everything from recruitment to c ating a healthy, informal office e vironment. All this in between find- i a vision for IDFC and guiding policy r ated to infrastructure.

It's been a hectic one-and-a half years at IDFC and there have been p nty of rewards and more criticism than anyone could ask for. "If you are b ng criticised, then it simply means that you are on the right track." Munjee is as softspoken in his defence as he is about his achievements. "No institution can throw its money out in the first year. When the framework conditions are not right, there's a need for caution," he says about charges that IDFC is not doing enough in terms of infrastructure finance. "Besides, I think our performance has been excellent. In the very first year of operations, we have had sanctions worth Rs3,000 crore and disbursals to the tune of Rs1,000 crore." Add to it the "huge policy contribution" by IDFC.

Criticism or no criticism, Munjee is convinced that "we Indians definitely deserve better infrastructure". He blames "extreme gradualism" and lack of will for the sorry state of affairs in the country's infrastructure. "We have to keep the consumer as an objective and get down to offering efficiently priced and efficiently delivered products," he adds. But all's not lost, he assures.

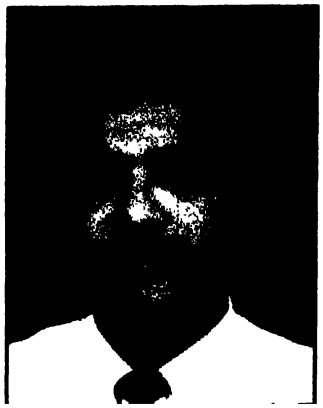
So will it be another long stint at IDFC? "No, I give myself five-six years," he says. Post-IDFC, Munjee plans to spend a lot of time with Bombay First, an NGO he set up to involve public participation in improving the city. He is also a trustee of Akanksha, which works for street children. Recently, he took over as chairman of the Aga Khan Foundation. And there's more to this man. He's a great lover of jazz and has been closely involved with the famous Kala Yatras.

History – of ideas, cities – is what most fascinates this economist now. He has even bought a flat in Lucknow, a city steeped in history and charming with its old-world grace.

◆ SANGEETA MENON

FRONTRUNNERS

A maker of markets



He enjoys doing business in alien environments – culture, caste, language no bar. All he insists upon is success. So, after having taken up successful assignments across Asia, Chandru Chawla is now exploring Africa. At 33, Chawla is business manager (Africa) at Wockhardt (Europe) Ltd, and takes the credit for making Wockhardt a name to reckon with in Africa. In fact, he was responsible for setting up Wockhardt's African operations and the Nairobi head office. And it was he who drew up the company's long-term strategy for the African market.

Chawla is not new to exploring untapped markets. Before he set out on the African safari, he had led Lupin Labs's entry and expansion in the difficult Chinese market, a challenge he took up after he stepped out of Indian Institute of Foreign Trade (IIFT). He had joined Lupin as manager-Asia Pacific and was in charge of the sales of bulk drugs to countries such as Indonesia, Thailand, Malaysia and Korea. A mechanical engineer from IIT, Chawla zeroed in on the pharma industry in the early 1990s when he identified it as the industry poised for maximum growth post-liberalisation. Chawla begun his career with Blue Star, leaving it to do his MBA from IIFT.

In his five years at Wockhardt Europe, Chawla has seen the company form strategic alliances with local African partners, besides building some of the company's big brands in the cough and anti-infective segments. Exports to Africa make up over 60 per cent of the total formulation exports of Wockhardt. He has planned for the next five years too: he wants to put Wockhardt among the top 10 companies in Africa. And his passion for jazz should help him drive away the occasional blues.

◆ SANGEETA MENON



Developing success

The 28-year-old Daniel Ingitaraj has spent his entire career in the software industry. The marketing manager of Microsoft India Private Limited has enough to learn while handling the company's SQL server, Developer Tools Product Management functions and e-commerce initiatives.

Learning is what the engineer has done ever since he was picked up on campus by Wipro Systems to work in its software division. "It took six months to realise that software development was not for me," says Ingitaraj, who then moved on to the marketing department and also enrolled for an MBA in marketing from the Bharatidesan Institute in Trichi.

"It was easy to move up the ladder in Wipro because their marketing department was small and one got noticed immediately," says Ingitaraj, who was moved to the company's head office in one year and then promoted as product manager for Developer Tools.

Ingitaraj was picked up by Microsoft when it decided to expand to the field of Developer Tools in India in January 1997. "This was one field which was not on Microsoft's radar screen because it was not a revenue earning stream," says Ingitaraj. It, however, took him only one-and-a-half year to make it the number two revenue earning stream in India. After this success, Microsoft decided to focus more on this area and Ingitaraj came up with the idea of a developer community under the Microsoft Developer Network (MSDN) umbrella for corporates, general developers and individual developers. ◆

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Arvind Mills	Castrol	Federal Express	IBM	Merck	Philip Morris	TVS Suzuki
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Asian Hotels	Daimler Chrysler	GE Shipping	ICICI	Microsoft	Procter & Gamble	Unilever
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LOCATION: Metros.

THE PERSON: Candidate must be a MBA (Marketing) from a premier institute. He should have an experience of 8-10 years in a consumer non-durable product company heading a sales team of 15-20 persons covering 2-4 states. (Some exposure to marketing would be an advantage).

AGE: About 35 years.

THE JOB: He will lead a sales team comprising 3-4 State Leaders, Area Sales Executives and Territory Sales Executives. He will be responsible for achievement of productwise targeted sales volumes and market growth. He is responsible for budgeted sales volume and profits, collections, market spends, branch administration and cost control.

FRANCHISE MANAGER - LIFESTYLE PRODUCTS

LOCATION: Bangalore.

THE PERSON : The candidate must be a graduate with additional qualifications in Fashion Technology/Retailing/ Merchandising with about 4-5 years experience in merchandising or Fashion garment marketing. He must posses business acumen with commitment to quality and innovation.

AGE: Around 30 years.

THE JOB : ● The incumbent would be required to select/ develop specialized merchandise to reflect the values of our core brands. ● Merchandise would include fashion garments, sportswear, clothing/travel accessories and bar items. ● Vendor development and franchising/placement for retail sale of these items would be an integral part of the job.

GROUP PRODUCT MANAGERS/PRODUCT MANAGERS

LOCATION: Bangalore/Mumbai.

THE PERSON: Candidates should be a MBA (Marketing) from a premier institute with 3-5 years experience which would include an exposure to both sales and product management, preferably in a consumer products company or advertising agency.

AGE: 25-30 years.

THE JOB: The incumbent will be fully responsible for the continuing success and growth of existing brands as well as the development of new brands. He will also be required to interact with agencies and the field sales personnel. A high degree of freedom and responsibility are hallmarks of the job.

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requires

Marketing & Sales Professionals

The UB Group is a professionally managed business house with a turn over in excess of Rs. 2500 crores. Its Spirits Division comprising of McDowell and Herbertsons with 36% market share is the largest alcoholic beverage Group in India and is ranked seventh in the world. The Group has a basket of leading brands like ***Bagpiper, Honeybee, Black Dog, Signature, Single Malt, No.1. McDowell's, Blue Riband, Celebration, Diplomat, Old Cask,*** *etc. (For further details interested candidates may visit our Web Site: www.mcdowellindia.com)*

With a plan to manage extraordinary growth the Division requires:

GENERAL MANAGER - SALES

LOCATION: Metros.

THE PERSON: Candidate must be a MBA (Marketing) from a premier institute. He should have an experience of 8-10 years in a consumer non-durable product company heading a sales team of 15-20 persons covering 2-4 states. (Some exposure to marketing would be an advantage).

AGE: About 35 years.

THE JOB: He will lead a sales team comprising 3-4 State Leaders, Area Sales Executives and Territory Sales Executives. He will be responsible for achievement of productwise targeted sales volumes and market growth. He is responsible for budgeted sales volume and profits, collections, market spends, branch administration and cost control.

FRANCHISE MANAGER - LIFESTYLE PRODUCTS

LOCATION: Bangalore.

THE PERSON : The candidate must be a graduate with additional qualifications in Fashion Technology/Retailing/ Merchandising with about 4-5 years experience in merchandising or Fashion garment marketing. He must posses business acumen with commitment to quality and innovation.

AGE: Around 30 years.

THE JOB : • The incumbent would be required to select/ develop specialized merchandise to reflect the values of our core brands. • Merchandise would include fashion garments, sportswear, clothing/travel accessories and bar items. • Vendor development and franchising/placement for retail sale of these items would be an integral part of the job.

GROUP PRODUCT MANAGERS/PRODUCT MANAGERS

LOCATION: Bangalore/Mumbai.

THE PERSON: Candidates should be a MBA (Marketing) from a premier institute with 3-5 years experience which would include an exposure to both sales and product management, preferably in a consumer products company or advertising agency.

AGE: 25-30 years.

THE JOB: The incumbent will be fully responsible for the continuing success and growth of existing brands as well as the development of new brands. He will also be required to interact with agencies and the field sales personnel. A high degree of freedom and responsibility are hallmarks of the job.

COMPENSATION: Comparable with the best in the industry.

Please send your curriculum vitae giving details of age, qualifications, experience, current & expected salary, along with a photograph, in strict confidence within 10 days, superscribing the post applied for, to

The Divisional Vice President - HR

UB Group Spirits Division 'LE PARC RICHEMONDE ' 51 Richmond Road, Bangalore 560 025. E-mail: nat@ubmail.com

CEO

www.wanted

Media group with revenues of over Rs 100 crore requires a CEO to lead an Information Technology, content-based Internet company

Below forty years of age, you should have an excellent understanding of Technology and Media Communication, especially via the Internet.

You must have successfully led a company or a division with revenues in excess of Rs.15 crore and employing more than 50 people.

The position requires the overall management of a team of more than one hundred people who specialize in writing, design, programming and other technology content production functions.

A deep understanding of Information Technology is an absolute must.

Liasion with multiple international partners, administration of offices in several locations and taking the company through an IPO will be an integral part of the management function.

Salary, options and perquisites are completely negotiable.

Send a detailed CV, superscribing on the envelope "CEO", to reach us by December 25, 1999:

P.O. Box No. AA/568/MJ/1
Business India
218 Dalamal Towers, Nariman Point,
Bombay 400 021.

PREZENS/JASU-08-11-99

HERCULES

Hercules Speciality Chemicals, India is a 100% subsidiary of Hercules Inc., USA, the world's leading supplier of speciality chemicals to variety of industries like fertilizer, power, steel, refinery, pulp and paper, paint, construction and personal care.

To enhance our focus in the Indian market, we are looking for :

Technical Sales Manager (Aqualon Division) - Mumbai :

Key Responsibility : To work closely with our customers, agents and distributors. He will be responsible to organise pre-sales initiatives on new products and provide high quality support and service to our customers.
Candidate Profile : Graduate in Chemical Engineering or Paint Technology from a reputed institute with 5 to 10 years experience in manufacturing/sales/technical services in the paint or emulsion polymer industry. Strong technical, commercial, communication and relationship skills are essential. Job requires extensive travelling.

Area/Account Managers (BetzDearborn Division) - Various Locations :

Key Responsibility : Management of world class water and process chemical treatment program. Help customers diagnose problems and customise solutions to reduce their operating cost, maximise their profits and productivity. This requires strong technical, commercial, communication and relationship skills.
Candidate Profile : Degree in Chemical Engineering or related discipline with atleast four years hands on experience in refinery/fertilizer/power plants. Experience in water treatment, process treatment sales and service will be a plus.

Engineer - Technical Services (BetzDearborn Division) - Bangalore & Mumbai :

Key Responsibility : Management of world class water and process chemical treatment programs. Help customers diagnose problems and customise solutions to reduce their operating cost, maximise their profits and productivity. Strong technical, communication and relationship skills are essential.
Candidate Profile : Degree in Chemical Engineering from IIT/UDCT/RECs. Hands on experience in refinery/fertilizer/steel plants will be a plus.

These are extremely challenging assignments, promising excellent advancement opportunities and attractive remuneration and benefits

Applications should be mailed/faxed to
The Managing Director, Hercules Speciality Chemicals (I) Pvt. Ltd.,
5th Floor, Vayudooth Chambers, 15/16, Mahatma Gandhi Road,
Bangalore- 560 001. Confidential Fax : 080-5550067

Aqualon BetzDearborn

Triple Ess/Hercules 9

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The incumbent will have overall responsibility of IT department and will be responsible for evaluation, implementation and upgradation of the IT for our CorporateOffice, Branch Offices and manufacturing locations spread all over India; including ongoing implementation of ERP, Lotus Notes, V-sats and other hardware and software.

Candidate must be a MCA/ Engineer having around 15 years of relevant experience, 5 years of which in a senior position in EDP / IT department of a large organisation. Age around 45 years.

Please apply giving salary drawn / expected and marking the envelope with PIL No. 173 to:

PIDILITE INDUSTRIES LTD., P.B. NO.17411, Andheri (East), Mumbai 400 059.

recruit@pidilite.com

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Steyr India is 100% subsidiary of US$9 Billion Magna Group. The Magna Group is one of the largest vehicle component & systems supplier. Steyr Daimler Puch, a company owned by Magna is one of the largest vehicle engineering company in the world.

Steyr has set up an Engineering Centre in Pune to undertake design, development & testing of the vehicles & systems for their customers. Steyr Engineering Centre, Pune, also handles projects to upgrade Engineering software developed by Steyr.

The selected engineers will get an opportunity to work in an international environment including training at Magna/Steyr companies abroad.

Following positions will be based in the Engineering Centre at Pune.

POWER TRAIN ENGINEERS (REF : PTE01)

Currently Steyr is engaged in design & development of Transmissions , Transfer Cases &. Power Train components.

Engineers having 2 to 3 years of experience in transmission design may apply for this position. He should posses a Bachelor's degree in Mechanical/Automobile Engineering from a reputed university/institute. Hands on experience on CAD softwares like Pro- Engineer/ Catia is a must.

Candidates should have thorough knowledge of design of housings ,gears ,shifter mechanisms & bearing calculations. He should also be familiar with various standards like DIN/ SAE/JIS/ANSI. Knowledge of German will be an added advantage.

Candidates possessing Diploma in Mechanical/Automobile Engineering with 4–5 years experience may also apply.

STRUCTURAL & STRESS ANALYST/ENGINEERS (REF: CEE 001)

Candidates should be graduate/post graduate in Mechanical/Automobile/Aeronautical Engineering with 3 – 4 years experience in stress analysis using Nastran / Ansys. He should be completely familiar with the Finite Element Modelling & pre-processing – post processing on above packages.

Candidates with familiarity with add on Finite Element Modules of Catia/Pro-Engineer & those worked on the analysis of Transmissions would have an advantage.

ENGINEERING SOFTWARE DEVELOPMENT ENGINEERS(REF: SDE 001)

Steyr is looking out for Engineers with Structural/Stress analysis background as stated above. Candidates should have proficiency in computer languages like C/C++/VC++ /VB on Unix or Windows NT platforms. They should have industrial experience of 2-3 years in Engineering software development with a thorough understanding of Mathematical tools for modelling of physical systems , Numerical Analysis etc.

Interested Candidates may send their detailed resume, superscribing the application & envelope the reference code of the position applied for within 7 days by courier to :

Steyr India Pvt.Ltd.

Plot No.23, Aamchi colony, NDA –Pashan Road, Bavdhan, Pune –411021, Tel.No. 528 09 37

SALES EXECUTIVE

We are a rapidly growing twenty-three year old Oman based group of companies. The group companies operate currently in Oman, UAE, Qatar and India and are involved in diverse activities such as interior decoration, trading, pre-engineered buildings and manufacturing The company's inherent strength is its belief in commitment to quality.

The company intends to recruit a dynamic Sales Executive to be based at Muscat for interior decoration activity reporting to the G.M (Operations). The incumbent should be a highly competent person to promote interior decoration business in Muscat The main responsibility will be to identify areas of business opportunities, liaise with Clients, Consultants, Architects and Interior Designers for successful conclusion of orders. The efforts will be supported by a team of Architects/Designers and other professionals.

The applicant should be a graduate with Engineering/Architecture/Interior Design background, in his mid twenties with similar experience of about 3 years.

Applications accompanied with a detailed curriculum vitae and a recent passport sized photograph are to be mailed to:

Box No AA/568/DS/3, Business India, 68/1 2nd Cross, Lavelle Road, Bangalore-1

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Our client has recorded an illustrious growth making rapid strides in the LPG based industry. Buoyed by the success of bringing world class products into homes providing convenience and modern living, the group which holds two decades of unflinching commitment to the industry has drawn up explicit diversification strategies. To address these segments they plan to consolidate their team by bringing in :

Head of Business - Convenience store retail chain : Age 35 – 45.
You would lead the group's foray with a blue print to establish a national network of C-store retail chain. You shall have extensive experience in merchandising, warehousing, distribution and marketing with an accountability for business performance. HOB/IND/63.

General Manager - Marketing : Age : 35 – 45.
You would be a hands on leader with 10 - 12 years of relevant experience in brown / white goods with a company of repute while having a proven track record in managing teams and achieving targets. GM/IND/64.

The company offers a congenial work environment and both positions report directly to the Chairman. As the requirements are immediate, please speak in confidence and fax / e-mail / courier your detailed CV indicating contact Telephone numbers / email ID to **Preetam Kumar**, Manager, RM Associates, 217, Swapnalok Complex, S.D.Road, Secunderabad - 500 003, Tel : (040) 6211814, 7810366, 6211109, Fax : 7813456, e-mail: rmassociates@satyam.net.in. Candidates outside India may contact **Srinivas Nanduri**, General Manager, RM Associates, 30 Robinson Road, # 05-03, Robinson Towers, Singapore – 048546. Tel : (65)224 4056. Fax : (65)224 9125. E-mail : rmassoc@singnet.com.sg

www.rma.com.sg

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Chief Executive Officer

Delhi

We are looking for a senior professional, who is independently managing the operations of an air-conditioning company or in consumer durable industry. Key strengths will include excellent man management skills, commercial and financial acumen. Ideal candidate will be an Engineering graduate, preferably with a MBA from a reputed Institute with at least 10-15 years marketing experience with last 5 years as an independent profit centre head. Preferred age group: 35-40 years. Reporting to the Managing Director.

Marketing Manager

(3 Posts)/Delhi/Mumbai/Chennai

The ideal Candidate will be a senior professional who is managing the marketing operations for a major air-conditioning company or in consumer durable industry. He/she should have excellent man management skills, commercial and financial acumen. The incumbent will be an Engineering graduate, preferably with a MBA from a reputed institute with at least 10-15 years relevant experience in marketing of consumer durable. Preferred age group 30-35 years. Reporting to C.E.O.

The Compensation package for the above positions has been designed to attract the best and will not be a constraint. Please courier your detailed CV with recent photograph to :

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Business India, 268, Masjid Moth,
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REGIONAL MANAGERS

The incumbents will lead a large force of Area Managers and their teams. They will play an important role in increasing revenues and market share, penetration and exclusivity of the network.

The applicants should be MBAs from premier institutes with 5-8 years' experience in the sale of consumer durable / FMCG.

AREA MANAGERS

The incumbents will be responsible for managing a sales unit They will develop operating plans for the unit, establish a strong dealer network, co-ordinate local brand promotion activities and lead the team towards accomplishment of sales targets.

The applicants should be MBAs from premier institutes with 1-4 years' experience in the sale of consumer durable / FMCG / Industrial Products.

The incumbents can look forward to a very stimulating environment, job rotation & accelerated Career growth. Compensation is designed to attract exceptional talent.

Please mail / fax / courier your resume in the next 10 days to :



GILBERT TWEED MANAGEMENT GROUP PVT. LTD.

217, Gokul Arcade 'A', Subhash Road, Vile Parle (E), Bombay - 400 057. Tel.: 823 9905 / 6. Fax: 839 4721.
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Technology Focus: Vice President

Technical competence, leadership skills, goal-setting acumen, and the ability to create delivery processes, are the qualities we will look for in this position. The person will be fully responsible for preparing the organization to ensure guaranteed delivery in the international markets. An Engineer from a premier institute, over 10 years of experience are essentials.

Marketing Focus: Vice President & General Manager

Evolving market strategies to tap the international software markets and ability to implement the initiatives, will be qualities that will benchmark candidates for the above positions. Achieving sales targets, conceptualising requests for proposals, maintaining customer relations, go without saying. Graduate Engineers or Post Graduates in Business Management from premier institutes, previous experience in the IT industry with international exposure and an over 8 to 10 years enviable track record are essentials.

Human Resources Focus: Vice President

Apart from the 'routine', 'expected' deliverables, an innate ability to recruit and select manpower for multi-locations (national & international), set up and evolve quality HR practices, is what we will be looking for. Catalyzing change, creating a corporate culture and an environment that encourages entrepreneurship are the other priorities. Post Graduates in Personnel/HR from premier institutes, over 10 years of experience with a significant part of it in the IT industry are the essentials.

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B.E. (Mech) with 8 - 12 years' experience in Quality Assurance Department of a reputed engineering Company. Should have knowledge of various inspection procedures, quality control equipment related to critical fabrication (SS and other material) and machine shop. Exposure to TQM, ISO 9000 methods and procedures, reputed third party inspection agencies is essential.

ENGINEER - PLANNING

B.E. (Mech) with 2-5 years' experience in production and material planning, covering machine shop and assembly. Exposure to computerised systems and tools is essential.

Please apply within 10 days giving current emoluments and photograph to :

P/99-689

Divisional Manager - Corp. Services
Sulzer India Ltd., Sulzer House, Baner Road,
Aundh, Pune - 411 007
Fax : 020 - 5888606 E-mail : sind@vsnl.com

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Our strategic plan would see us expanding our operations to various other parts of the globe including USA and Latin America and we need to recruit and develop suitable persons to head these operations.

Ideally candidates should be in the age group 28-38 years with an MBA from IIM or first class management institute and technical/commercial/marketing exposure in reputed companies well known for their systems orientation. They should possess necessary leadership competencies and the acumen to enhance business profitability. Experience in the textile industry and an Oracle network environment is desirable but not an essential requirement.

The company offers an excellent compensation package including furnished housing, car with driver, leave travel, medical facilities, schooling facilities for children and a professional working environment. Interested candidates may apply preferably by email or fax within 10 days with contact telephone number to:

Sr Vice President (HRD)
PT INDORAMA SYNTHETICS Tbk
Post Box 3375, Jakarta 12950, Indonesia
Fax : 62-264-207729, E-mail : recruitment@irs.co.id

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Feedback Strategic is a wholly owned subsidiary of Feedback Ventures Limited, India's leading integrated infrastructure development group. Feedback Strategic is the consulting arm of the group and is dedicated to managing growth initiatives of its clients ranging from state governments and large corporates to startup entrepreneurs.

Feedback Strategic believes that innovative thought and practice will drive businesses of the future. And for any dynamic organisation today, managing its interface with its external environment is of key importance.

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Services

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The company wishes to augment its presence in India and the Asean region through recruitment of team members across responsibility levels.

Candidates should be postgraduates, preferably MBAs or CAs, with 2-7 years experience. Domain specific experience would be an added advantage - especially in infrastructure and internet related businesses. Strong communication and analytical skills, ability to manage unstructured situations and demonstrated responsibility handling ability are desirable traits.

Interested ?

Write in at

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SPEER 501 99

To the Manor-gone



The Onyx Bar, one of The Manor's prime attractions for locals and foreigners alike



We've all heard of designer clothes and designer watches, but designer hotel? Yes, that's what The Manor, a two-storey, 18-room hotel in Delhi's Friends Colony is being promoted as — the first designer hotel in the country. The Manor gets its tag from the fact that "boutique hotel as a term is passé the world over" and also because it is overflowing with imported, designer material.

The bathtubs have been imported from Japan and the lamp shades and the marble for the flooring from Italy. The special shower cubicle glass comes from Australia and the basin bowl in the ladies powder room from England. Even the minibars and the electronic safes in the rooms have been imported from England. "It's not as if we don't have enough material available in India, but we hadn't know where to look and we wanted the best for our clients," says sales and marketing manager Meeta Anand.

Just two months old now, The Manor is targeting only foreigners for business (Anand hopes that 80 per cent of its guests will be foreigners). "We are looking at repeat customers because of our service," she says. "Since it is a small hotel we want to provide personalised service so that after a hectic working day our guest is well looked after." This includes finding out what they order just when they return from work and providing it before they place their order the next day or giving them the option of having their bed tea in the sprawling $1^1/_2$-acre lawns. "Since we have only 18 rooms, we can have only 36 guests at the most at any given point of time. It makes it that much easier for our staff to give each one of them personal attention," says Anand.

The Manor has another unique point — it is totally non-smoking, so each room opens into a small wooden terrace which can be used by guests who do want to smoke. In keeping with its target audience, the food served at the only restaurant, Seventy Seven, is European. But here again, according to Anand, there is a personal touch. "Since it is a small restaurant, our chef has all the time to lay out the food on the plates himself." The hotel also has the Onyx Bar, which gets its name from the liberal use of onyx (imported from Pakistan). The bar table is made from onyx and huge slabs of the stone are set in the walls, which when lit from behind give the room a warm, welcoming light. The bar, however, is still not operational as the hotel is waiting for its bar licence, which it is likely to get by the end of December.

Though the bar and the restaurant are open to everybody, the hotel doesn't expect to make money on them. The real revenue that will help recover the Rs7-crore investment by London-based UrbaCon and TCG Developments will come from the rooms (priced at $190 and above per night). The interior design is by Shirley Fujikawa (who is also the wife of UrbaCon's Vinay Kapoor) of studio u+a, a London-based firm of designers. The husband-wife team has done a number of other projects in Frankfurt and also the Kirloskar Plaza in Bangalore and the First India Palace in Gurgaon.

The Manor, however, is UrbaCon's first foray into the hotel business and the company wants to use it as an experimental model to see how the concept of a designer hotel takes off before any expansion. But since the company has decided to depend entirely on word-of-mouth publicity for this concept, it may well be a long wait before the next Manor hotel opens in India.

• PUNAM THAKUR

A portrayal of people's angst



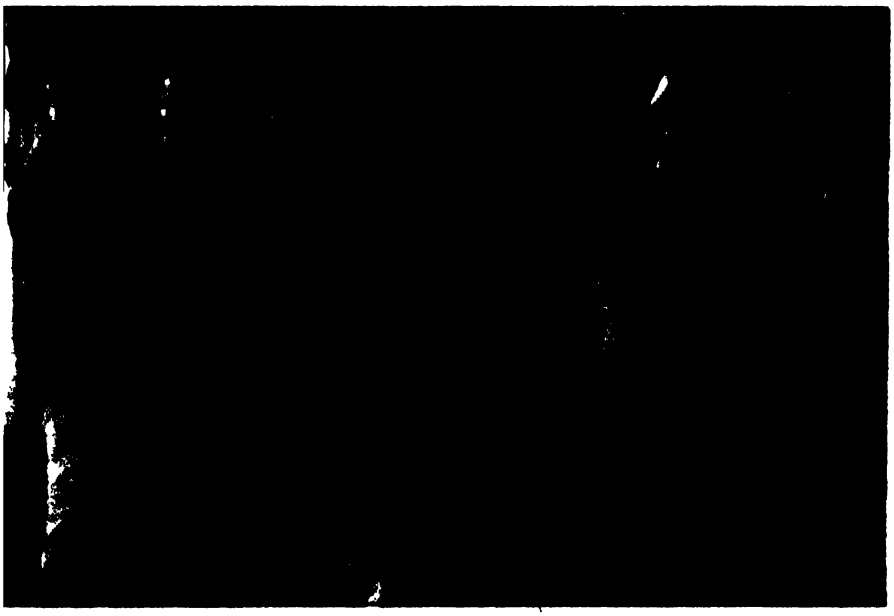


When a movie ruffles the feathers of the political establishment as it takes more than potshots at heavyweights, it is automatically targeted for attention — of the wrong kind. And then the rumoured "persecution", "harassment", *et al.* snowball into popularity for the film, bringing in crowds by the droves. Shankar's *Mudalvan* has attracted much attention, both from the political establishment and the public. But it so happens that director Shankar would have brought in the crowds even without the publicity and the rumours that the ruling party in Tamil Nadu is targeting theatres showing *Mudalvan* for raids to ensure that tickets are not sold in black and that toilets are clean! And there are an equal number of rumours that say the Telugu version of *Mudalvan* has delighted Andhra CM Chandrababu Naidu. Enough to have Shankar over for dinner and lavish praise! As they say, one man's perceived persecution is another's adulation.

The story is powerful, though it defies credibility in some parts. Arjun, who portrays a young TV cameraman Pugazhendi, is feted by his boss for his death-defying camerawork when politician-instigated riots break out in the wake of students and a bus driver clashing. The scene where normal life is paralysed with one stroke and the police watch helplessly as the CM refuses to allow harsh action is so realistic that it is easy to understand the political jitters such a possibility could kindle. This could happen in any state in India. The thin line dividing anarchy and effective civil rights enforcement is getting more and more blurred by political appeasement based on caste distinctions and the lust for power.

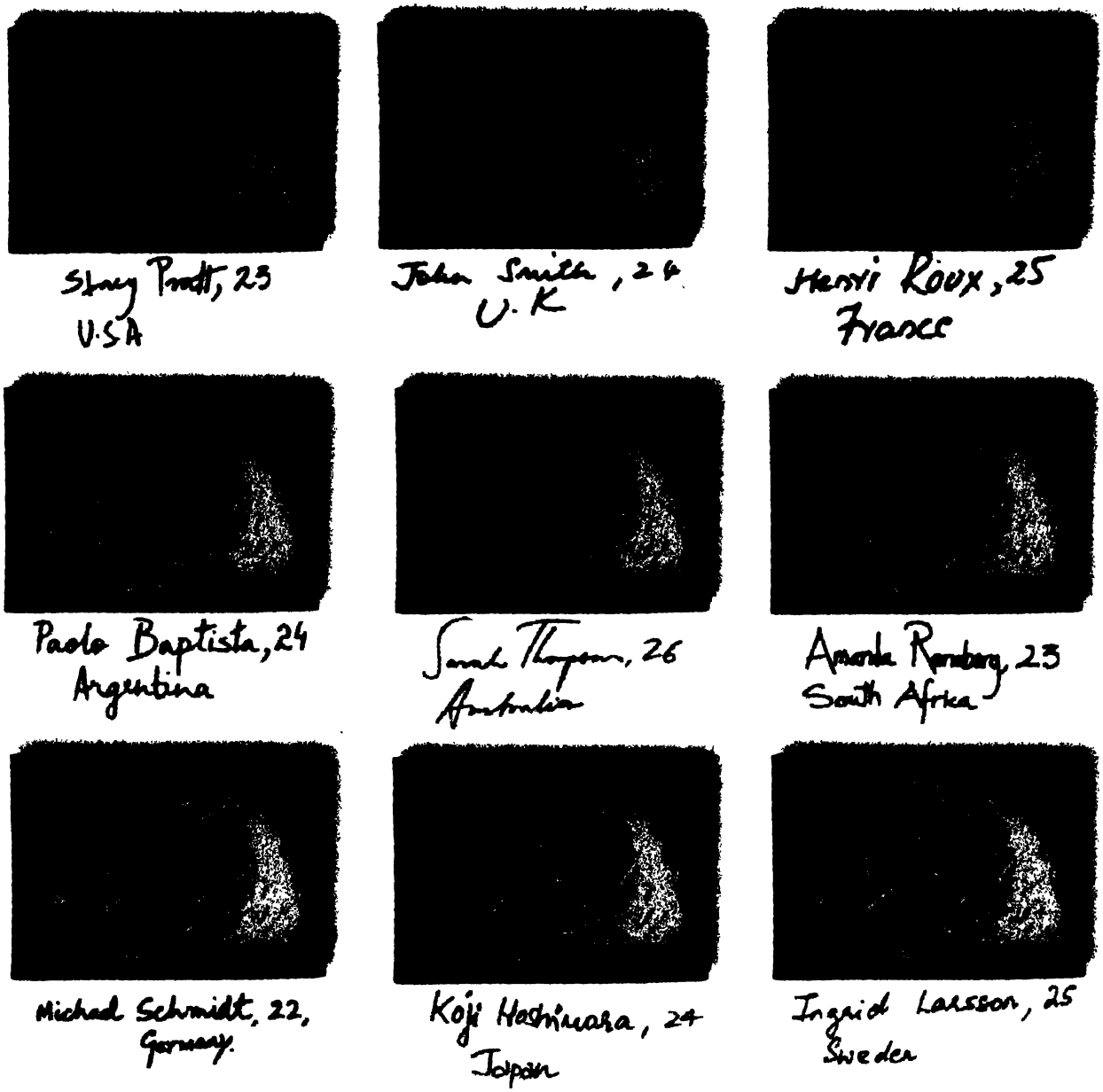
Pugazhendi is rewarded by being promoted as full-fledged reporter and his very first interview is with the CM, essayed by Raguvaran, a portrayal so chilling and cold-blooded that only he could have carried it off. And when the interview takes on uncomfortable dimensions, the CM challenges him, "Why don't you try sitting in this chair just for one day?" Then, of course, cinematic licence puts an ordinary middle-class breadwinner in the awesome chair, complete with his ideals of justice, fair play, and civil liberties and rights for all. In short an Eldorado, crafted in just one day!

There is a veiled reference to Rajnikant's "I am in, I am out of politics" posture too. Manivannan, who comes in as executive assistant to the CM, says: "These guys go on blaming the state of affairs in politics. And they go on telling the people that they will jump into the fray and clean up this sewer. Are you in or out?" The stamp of the irrepressible story-writer Sujata (Dr Rangarajan) is evident throughout in the hard-hitting dialogue.



In between, Arjun has the mandatory love scenes with a rustic Manisha Koirala, adequate in the song and dance sequences, but generally looking exhausted, going through the motions like a zombie. A.R. Rahman crafts some foot-stomping rhythms, especially the song *Uppu karuvadu*, a tune and lyrics the masses easily identify with. But it is art director Thotta Tharani who reigns supreme with some of the most realistic art direction and sets seen recently The narrative remains powerful and taut till the end. But you wonder... is the electorate destined to remain a jackass? Will the politician always score by plumbing the depths of corruption and self-aggrandisement? People like Shankar can only bring the people's angst to the screen.

• PADMA RAMNATH



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The shape of business to come

THE NEW BUSINESS VALUES FOR SUCCESS IN THE TWENTY-FIRST CENTURY

By John Persico & Patricia Rouner Morris
Jaico Books
Price: Rs795

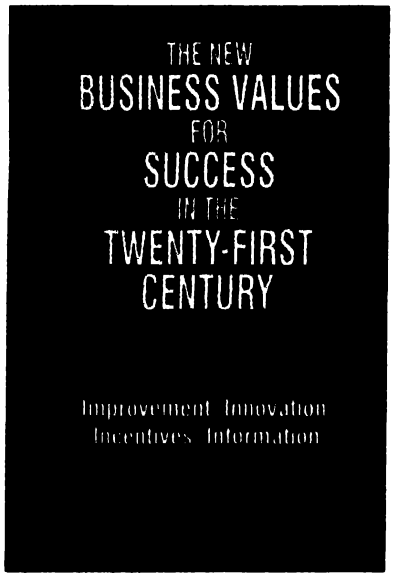
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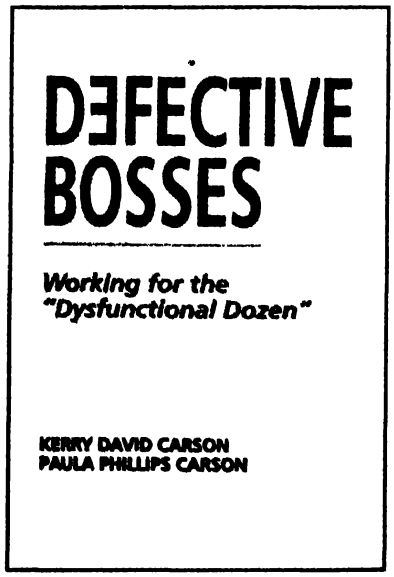
By Kerry David Carson & Paula Phillips Carson
Jaico Books
Price: Rs575

Many people ask if business will be conducted differently in the 21st century. One would guess not, for business is a dynamic and ever-evolving process. The profit motive remains paramount, though enhancing shareholder value has now begun to take precedence. The last decade has seen knowledge-based industries making significant gains. And these industries are the future, too. The sweeping winds have now touched India as well – the recent purchase of the Rajesh Jain-promoted India World portal by Ramalinga Raju's Satyam for a whopping Rs499 crore is a case in point. This is probably the first of many such deals in the Indian market place in the coming years.

India is already talking of homegrown, homespun entrepreneurs with Net vision trying to replicate the achievements in the West – Gururaj Deshpande, Sabeer Bhatia, Sanjeev Sidhu, Vinod Khosla *et al.* While Rajesh Jain's sell-out is being seen as the defining moment in the growth prospects of the Net revolution, there are miles to go before we sleep. But it is now obvious that the cutting edge of technology dovetailing with knowledge will be the shape of things in the 21st century. Forget the jargon, the reality is that entrepreneurial vision working in conjunction with commitment towards the shareholders is now the most vital component.

There will be plenty of 'gurus' peddling advice in this new information age. Real time with real people and real situations combining to provide a quality product or service to the end-consumer is going to be the only reality. And this is what Indian business needs to absorb post haste. While Jaico's book under review discusses values that are critical for success, the publishing house would do well to embark on a selection procedure of books which don't merely offer methodology, but detail case studies of recent success and turnaround stories in the world of global business as well. This will enable middle-level managers to emulate the application techniques, not just at a superficial level, but in order to derive positive value.





Simply put, the authors reckon that in the old management paradigm, value was too often defined by the stake holder. Today's reality is total value which incorporates that old adage and value to the customers. This new value shapes the programme, structures, strategies, goals and objectives of the organisation. Genichi Taguchi's Total Quality *mantra* includes these two aspects, as also value to the society. Infosys, the market cap giant, is probably a very good example of this *mantra*. Some years ago, when the road to Infosys Park in Bangalore's Electronics City was a traffic nightmare, CEO Narayan Murthy decided to take matters in his own hands. He brought in Maruti Gypsies, armed the local police with walkie-talkies and ensured that order was restored on that route so that Infosys staff buses plying on that sector could zip across with minimum fuss.

Also, the venom and vehemence with which anti-free trade activists have clashed with the police on the streets of Seattle – the scene of the global WTO trade talks – is a sign of the times. The lack of a consensus on a global trading system and the fears over the future of developing nations and their people is worrisome. Everywhere around us there is news of change. And even as barriers are broken down, consumers have to remain vigilant about their rights. For the consumer is an integral part of contemporary society, unarguably the most important component.

The other book is yet another very typical Jaico publication. As the title suggests, *Defective Bosses: Working for the Dysfunctional Dozen,* is a detailed account of the types of bosses one is likely to encounter in any work setting. The roadmap tells you how to deal with your boss.

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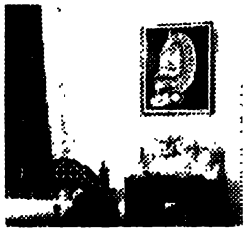
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Not a very inspiring and appetising treatise to read.

But back to the first book where the authors argue that total value must account for the value of knowledge and intellectual capital as well as factoring costs to society, to the environment and even to future generations. Hence creativity and not a linear approach is another vital facet of doing business in the new age, but that certainly does not mean that the past has to be consigned to the rubbish heap. The past teaches, even as the future beckons.

It is amazing that Sun Tzu, writing in 500 BC, was the most persuasive advocate of strategic thinking. Over the years, his work and words have been rediscovered by many business planners!

• A Correspondent

Reach out to your employees



RELATIONSHIP MANAGEMENT IN 21st CENTURY ORGANIZATIONS

By Viney Kirpal and G.K.K. Singh
Vakils, Feffer and Simons Ltd
Price: Rs245

The real issue in the globally competitive scenario of the 21st century will not be just deployment of superior technology or highly qualified personnel but, more importantly, it will be effective management of customer relationships. "Managing customer relations along with quality marketing and quality service will provide the cutting edge to any organisation in the coming century," say the authors of this book.

'Relationship Management' is a term normally used to suggest excellent relationships with external customers, but this book deals mainly with the means, methods and techniques to nurture excellent relationships within an organisation, because the authors believe that only excellent relationships within an organisation can ensure good relationships with customers. For example, when your washing machine or TV set fails, the kind of customer service that a company provides usually speaks volumes for the kind of relationship management within that company.

If the relationships within the company are bad and the employees feel unwanted, unhappy, emotionally insecure and demoralised, then they will serve the customer half-heartedly. In the first place, the customer will have tough time just getting his complaint registered as no one answers the phone when he calls up the company. If, however, he is lucky enough to get through, then the response of the person recording his complaint may not be too pleasant. If the customer is fortunate to cross even that barrier, then the service engineer may not be available and the customer may have to wait helplessly to get his machine repaired.

As the people in the company are unhappy, they work only within the framework of the prescribed rules. By contrast, in the case of another company, the manager himself comes personally to repair a washing machine because his service engineer is on leave. Obviously, he does this because he cares for the reputation of his company and he is a happy employee.

"Therefore, in the organisations of the future, internal customers, that is the employees in the organisation, are going to occupy a very important place," the authors argue. Organisations of the future will have to develop into institutions which care for their people and offer them an environment where employees feel valued, where they have the freedom to innovate, grow and develop to their full potential. "These are the organisations which will achieve employee-delight and through them customer-delight and high levels of productivity," the book tells us.

In this context it is the middle-level manager who will have to play a pivotal role as an expert in relationship management. The book examines the prevalent traditional relationship styles of Indian managers and points out several shortcomings. For example, the typical Indian manager has a tendency to be secretive and regards information as his "personal property". The Indian manager also discourages creativity amongst his subordinates and tends to divide and rule. In future, however, the manager will have to be more transparent, proactive, entrepreneurial and risk-taking. He will have to lead by example and foster team spirit among the his juniors.

The book is divided into two parts. Part one describes existing management styles in Indian companies as also the qualities required to turn managers into relationship management experts. Part two consists of 300 typical workplace problems faced by managers, their peers and their juniors, along with suggested solutions which are based on practical wisdom and the rich experience of the authors who have themselves trained managers of several well-known Indian companies and MNCs. The book is full of suggestions, ideas, and tips for the practising manager and each of the 300 problems is tackled in a reader-friendly, question-answer format, usually not exceeding more than one page per problem.

Viney Kirpal and G.K.K. Singh, the authors of the book, are both experts in behavioural sciences and together have trained over 10,000 executives from leading companies like Hindustan Lever, Johnson & Johnson, Parke Davis, Crompton Greaves, etc. Viney Kirpal (Ph.D) taught at IIT Bombay for 23 years and was head of Humanities at IIT before she and Singh set up the Galaxy Institute of Interaction Training in 1998 to train corporate executives. Kirpal has authored six books and 76 research papers. and her name finds a place among the 2,000 outstanding personalities of the 20th Century (UK).

G.K.K.Singh (B.Tech, PGDM) is a silver medalist from IIT Bombay and a post graduate from IIM Calcutta. After having worked in senior positions in several companies,, he stared his own venture, Enertech Electronics Ltd, nine years ago. Today, Enertech is a successful Rs25-crore enterprise, manufacturing hi-tech electronic equipment and employing over 100 people.

• ROOP KARNANI

A time for reflection



GUNS AND YELLOW ROSES: A COLLECTION OF TEN ESSAYS ON THE KARGIL WAR

Published by Harper Collins Publishers India
Pages: 246
Price: Rs195

The elections were announced before the Kargil War broke out. So when the military action was on, there was a virtual injunction against raising issues that could seem critical of the government or the military establishment. The operating logic being that any criticism would adversely affect the morale of the valiant soldiers fighting the war against Pakistani intruders. It was also argued that once the intruders are ejected, the nation would have all the time to discuss these issues.

While the valiant soldiers provided an effective cover for the government to fend off any criticism, it was apparent that uppermost on the mind of the political establishment was the adverse effect of such criticism on the electoral chances of the BJP-led ruling combine. But now that this combine is safely perched on the seat of political power, the issues related to the Kargil War can be discussed without attracting the charge of indulging in politically incorrect behaviour. This collection of 10 essays by journalists covering a broad spectrum of publications, a retired military general, an ex-diplomat and a fiction writer is an apt starting point for this nation-wide debate.

It makes for compelling reading, and though at the outset it may appear that at the Pakistani aspect of the conflict has not been covered as this is an Indian publication there are no such gaps. The contributions from Pamela Constable, the New Delhi-based South Asia bureau chief of *The Washington Post*, and *The Hindustan Times* executive editor Bharat Bhushan's essay from *Enemy Country* provide the reader with insights from the other side of the fence.

Different essayists analysing the issues from their own standpoints, however, drive home a few common themes. They all underline that as a war Kargil should not have simply happened. It was the fallout of a lowering of guard by the Indian military and political establishment that was lulled into complacency by the bus diplomacy. They may be using different terms like "intelligence failure" or "lack of political judgement" to describe the process, but the basic argument remains the same. Then again, almost everyone agrees that this "failure" was valiantly covered by the bravery of the jawans who fought against the heaviest of odds to eject the intruders.

But then no one agrees that this is an unqualified military victory for India as trumpeted by the establishment. On the other hand, it has been very effectively demonstrated that this is for the first time that the Pakistani military establishment has succeeded in inflicting a very heavy, long-term blow on us, and as we get ready to effectively protect the 140-kilometre-long difficult terrain all along the hilly Line of Control, the cost in terms of money and materials, and probably men is going to be very high. As Rahul Bedi points out in his essay *A Dismal Failure*, Pakistan spends Rs24 crore annually on the ISI to sustain Kashmir's militancy while India's counter-insurgency operations cost Rs730 crore annually.

There has been a tendency in the media to be rather laudatory about the army and generally praise the handling of the media affairs. But Sankarshan Thakur, associate editor of *The Telegraph*, who along with Saurabh Das, the Associated Press photographer, and a few others spent the entire time in the Kargil point out that the access was restricted.

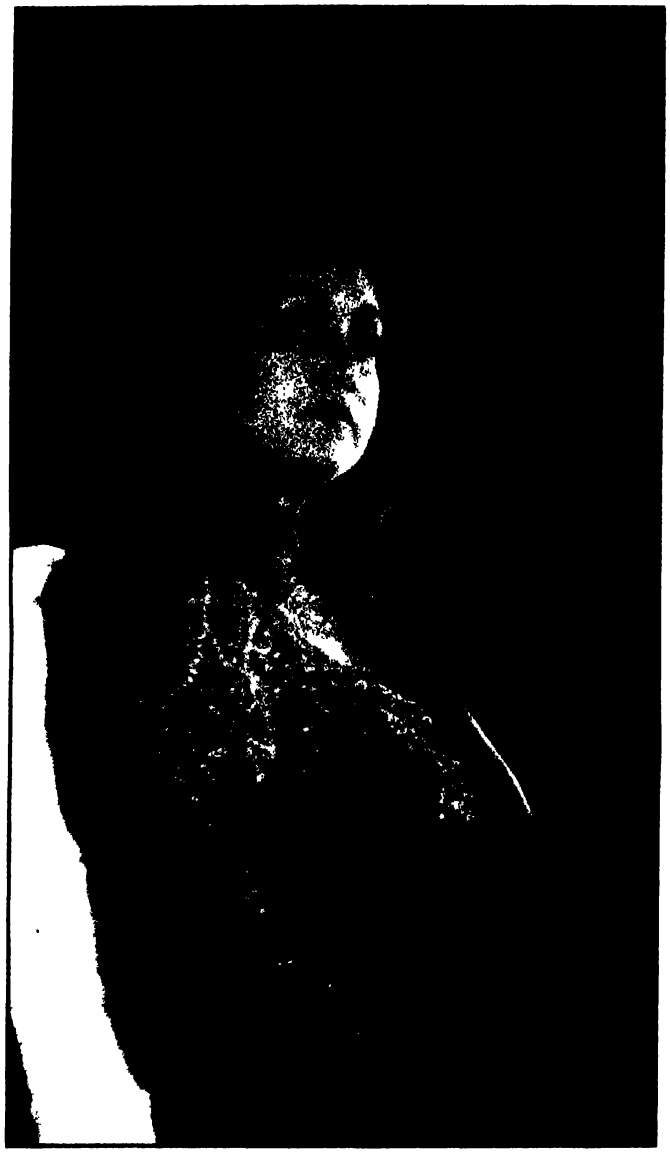
The essays, however, are not all about war. They cover a wide range of human emotions as well. They are also about the wider Indo-Pakistan issues that have dogged our 52 years of jointly painful existence. While every essayist has shown flashes of individual brilliance, fiction writer Suketu Mehta takes the cake with his concluding essay *A Fatal Love*. Mehta narrates the real life love story of a Pathan girl and a Mohajir boy that led to riots in Karachi and claimed two lives. The boy now lies paralysed in a hospital, and the girl is in hiding with her parents. Both unable to meet. It is Mehta's concluding comment that provides the key to the Indo-Pak relationship: "I find their love important, metaphorical. Against great odds – against the tyrant father of the state – we the peoples of the subcontinent love each other. It is an adulterous love, an illicit love.... We are ready to kill for love. Such is the strength of our passion for each other that we have no other way of proving this love than to die for it."

This illicit love between Indians and Pakistanis comes through Bharat Bhushan's essay as well through the characterisation of the Lahore taxi driver who even after the Kargil War invites him to come again with his wife (*bhabhiji*) and affectionately calls him a brother. But then such "loves" don't cover up for the Kargils that are still defined as the unfinished business of the Partition. Maybe it is time we the peoples of the subcontinent started seriously thinking of August 14-15 more as the day of "Partition" that caused millions to perish and less as a celebration of independence from the British.

Nations seldom display the ability to come to terms with their military and political failures. We as a nation are no exception to this rule. The Vajpayee government has appointed the Subrahmanyam Committee to look into the intelligence and military lapses. But one expects that this pre-election gimmick would mean anything. As these essayists document in great detail, the ordinary foot soldiers pay for the blunders of their generals and political leaders. It would be foolish to expect anything else. That has been the order of this world. Not one, but any number of Kargils would not change the situation.

• ANIL SHARMA

The accord award



Tina Ambani, wife of industrialist Anil Ambani, is now known for her annual Harmony art shows. With the recent ASI-INTACH Elephanta project she has taken Harmony a step further. Ambani has now instituted the Harmony heritage award for lifetime contribution to art, culture and literature as well as the emerging artist of the year. "When they approached me to support the event, I was planning on instituting the Harmony heritage award. I decided to support the event as their plans are amazing," says Tina Ambani. With Unesco declaring the 6th century caves dedicated to Lord Shiva as a world heritage site and Ambani wanting to institute the Harmony heritage award, the synergy was obvious. The fundraiser for the caves was in the form of an art auction of paintings by 20 eminent artists, such as Manjit Bawa, Bhupen Kakkar, Akbar Padamsee, who donated their works to the cause. And this is Ambani's way of showing that Harmony is not a one-off show that most thought it would be when it started in 1996. Next year, the Harmony show turns five. •

A labour of love



C.V. Karthik Narayanan, the former managing director of Standard Motors, pulled off a publishing coup recently. He has translated *Ponniyin Selvan*, a Tamil historical novel, a classic written by one of the most loved and respected Tamil literary figures, Kalki. Celebrations of Kalki's centenary are currently on. "This is what derailed industrialists do," laughs Karthik Narayanan, referring to the ill-fated auto company he headed. Now a manufacturer of components, Karthik was inspired to undertake this task when during a dinner conversation he realised how much his love for Tamil history and culture was inspired by Kalki's historical novels. The magnum opus is in five volumes and it took Karthik 18 months to complete the translation. The first volume was released recently and has already made it to the bestseller lists in Chennai. •



A prized periodical

In the Pune corporate world, anyone would tell you that **Ahmed Bungalowala** is a creative freak. He is not just one of the best in his profession (corporate communications), but has authored two fiction novels and is an amazingly good photographer. But he is perhaps best known in the corporate world for *Fireside*, the in-house magazine of Thermax, which he has been editing now for over a decade and a half. *Fireside* is very unlike the usual drab house journals of big corporates. Every issue of *Fireside* is peppy, full of interesting visuals, and exclusive corporate stories interspersed with a lot of quotes from management gurus, literary greats like Shakespeare, etc. In fact, Bungalowala coaxed the late chairman, R.D. Aga, to write a regular column called 'The dialogue' in *Fireside*. This column not only won accolades in the country, but the entire collection of these articles was published as a book by R.D. Aga just before his untimely death. Last month, *Fireside* won the Magazine of the Year award by the Association of Business Communicators of India for the year 1999. •



The medicine man

"I'm hoping to counteract the McDonaldisation of India," says Neal Barnard, noted researcher, author and president of the US-based Physicians Committee of Responsible Medicine. Barnard was in India touring eight cities and 20 medical colleges, drawing in packed audiences despite the MARD strike. The main reason for his trip was to show the value of diet changes and the importance of vegetarianism. Preaching to the converted? Agrees Barnard, "The Indian traditional diet of pulses, vegetables and fruits is a good one." However, he does caution against excessive dairy products. "Our initial findings indicate that an overemphasis on dairy products increases health risks," he says. This means that Barnard has a fight on his hands; the dairy industry is no less powerful than the tobacco lobbyists. "Let the chips fall and we'll see," is what he says. His Website, www.Dr.Barnard.com, is trying to form a network with Indian and US physicians. Plans are to introduce a chat programme on the site as well. •

"The interest of labour is foremost"

As the new government surges ahead with the second phase of reforms, minister for labour and employment **Muni Lall**, who has been in the thick of controversy in the recent times, has been entrusted with the imposing task of protecting the interests of the workforce in the free market economy. Talking to **Manoj Narula** of *Business India*, he comes out with the measures he proposes to introduce for the welfare of labour in the changed Indian scenario

Q *What role do you envisage for yourself when your government is going ahead with the liberalisation policy that is by and large not acceptable to labour unions across the country?*

A First, I personally do not find any clash of interests between the free market policy and the welfare of labour. Both can go hand in hand. In fact, with increased productivity and setting up of high standards in competency, the quality of manpower is bound to improve. Exposure to modern equipment, computers and better ethos of working will do a world of good to the workers who are not being able to deliver their best in the prevailing conditions. Yes, for those who do not want to take advantage of the better atmosphere, who like to be a part of a certain labour union only to escape work as is the culture in many public sector establishments, it is going to be a hard time. I will certainly work towards providing a cushion to numb the arduous effects of automation and modernisation in the country.



Q *How would you ensure that labour interests are protected when privatisation by definition itself means* laissez-faire *where the government control over the trade is bare minimal?*

A See, the labour ministry works on a three-point agenda all the time. They are policy enacting, optimal utilisation of available instruments and promoting institutional mechanisms. Using these weapons, one can develop an amicable solution for every problem. I have more than 25 years of administrative experience, out of which 17 years were put to use at Dhanbad serving in various capacities. A skilled mediator's job is to come out with a win-win situation and I intend to do just that. Privatisation does mean providing a free hand to the market but that does not mean as if there are no checks or *lakshmanrekha*. There is a limit beyond which no argument is acceptable if the labour interests are adversely influenced.

Q *What are the policies that you have put on priority for implementation?*

A Well, one needs to understand that in my ministry no policy can be less important than the other. Also, there is no time frame bounding during which some policies attain more importance than the other. Take for instance, child labour policy *vis-a-vis* the exit policy. Say if, all of a sudden, the exports of a particular commodity start dwindling because a particular country, crucial for Indian exports, without prior intimation stops buying as the products have been manufactured involving child labour. So, in one moment it becomes more important than the exit policy. Take another case of journalist wage board implementation. I have made a promise that I will get it implemented by 31 December 1999 and so it is one of the top priority of the ministry today.

Q *Well, what exactly do you plan to do towards the rationalisation policy being implemented in its true perspective?*

A Labour laws and policies can only tread the path of gradual progressive approach. A National Renewal Fund (NRF) has been earmarked by the government to train, rehabilitate and provide alternative employment to the retrenched work force. However, most of the money till date has been consumed by the voluntary retirement scheme (VRS). Now I will put my emphasis on the real aspects of rationalisation whereby judicious allocation of funds under various heads will ensure that the work force is adequately trained and geared up to face the forthcoming challenges.

Q *What is your opinion about the Sick Industrial Companies Act (SICA)?*

A This was an Act introduced by Rajiv Gandhi in 1985 to help revive sick units that had consumed a whole lot of resources. Today, there are three routes to solve the problem of sick units. First, retrenchment is allowed and labour is duly compensated for the same. However, this compensation package of 15 days salary for every completed year of service does not seem to be an attractive proposition for labour and rightly so. The second route of VRS has also been utilised by a select few for the benefits of the privileged ones. The third route of involving BIFR always ends up in the liquidation of the company and so labour does not get justice. I propose to study the bill more carefully and, with the help of experts and officials both inside and outside my ministry, create something that would be more acceptable to all the parties concerned. •



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